

# **Testimony in support of HB0352 - Budget Reconcilia**

Uploaded by: Richard KAP Kaplowitz

Position: FAV

HB0352\_RichardKaplowitz\_FAV

02/27/2025

Richard Keith Kaplowitz  
Frederick, MD 21703

TESTIMONY ON HB#/0352 – FAVORABLE  
**Budget Reconciliation and Financing Act of 2025**

TO: Chair Barnes, Vice Chair Chang and members of the Appropriations Committee  
FROM: Richard Keith Kaplowitz

**My name is Richard K. Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of HB#0352, Budget Reconciliation and Financing Act of 2025**

My Jewish faith tells me (Proverbs 3:27) “Don’t withhold good from those to whom it is due, when it is in the power of your hand to do it”. Legislators, the power is yours to fully pass Gov. Moore’s proposed revenue package, as introduced in HB 352/SB 321. His proposal raises much-needed revenue to fund essential services, reduces taxes for working families, and helps ensure the wealthiest individuals and large corporations contribute their fair share. With the unprecedented cuts the Federal Government are making that will affect every Marylander, Maryland families and communities cannot afford the additional \$1+ billion in cuts in services that would be required if the legislature does not adopt this proposal.

Maryland does not have enough money to pay for vital services and programs. Many wealthy individuals and corporations pay little to no state income taxes. The burden of supporting Maryland then falls on middle- or lower-income individuals and families. This inequality is benefiting the wealthy and corporations at the expense of everyone else in the state.

When you pass Governor Moore’s revenue package as included in HB 352/SB 321 you are ensuring we have an essential foundation for our state’s budget for the next year and into the future. I strongly urge the Committee to adopt it as a starting point. However, adopting the Fair Share for Maryland Act (HB 1014/SB 859) would go a step further in preventing some of the other proposed cuts to public services and providing the state resources to help respond to harmful federal budget cuts.

The budget shortfalls affect every Marylander and the state and local governments abilities to meet the critical needs of our residents in every area – schools, transportation, climate protection, etc. This lack of tax revenue applied to the services these corporations use such as roads, fire and police protection, an educated workforce, etc. forces the state to tax citizens at the lower end of the income scale.

A study of the benefits of the Fair Share bill indicates what it should contain and the revenues that will accrue to Maryland when implemented. The Fair Share bill is a complement resource to the BRFA bill. That bill will require large multi-state corporations to pay their share of state tax through "combined reporting" and revising the "throwback rule" (est. \$135.4 million). It will close the pass-through LLC loophole (est. \$124 million). It will stop ineffective tax expenditures (est. \$617 million). The Fair Share for Maryland Act will restructure personal income tax brackets and rates (est. \$689 million).

The budget shortfalls affect every Marylander and the state and local governments abilities to meet the critical needs of our residents in every area – schools, transportation, climate protection, etc. This lack of tax revenue applied to the services these corporations use such as roads, fire and police protection, an educated workforce, etc. forces the state to tax citizens at the lower end of the income scale.

I will submit my written testimony to the Fair Share for Maryland Act (HB1014) to indicate how that bill will have a positive effect on the revenues needed for the BRFA. As you consider the BRFA HB0352 please keep in mind that the Fair Share Act complement will raise \$1.6 billion in revenue each year to support good schools, health care, transportation, and the state workforce needed to deliver high-quality services. The numerous benefits from passing the full Fair Share Act will help cut the deficit the state is fixing. It is not going to fully ameliorate our financial budget crisis but without it we will be infinitely worse off in every area that Maryland must fund.

Governor Moore's budget is a good starting point, please pass it and the Fair Share Act to make that budget work for all of us in Maryland.

**I respectfully urge this committee to return a favorable report and pass HB0352.**

**Maryland AP House letter 0225.pdf**

Uploaded by: Alan Pasetky

Position: FWA

February 25, 2025

The Honorable Ben Barnes  
Chair, Appropriations Committee  
121 Taylor House Office Building  
Annapolis, Maryland 21401

The Honorable Vanessa E. Atterbeary  
Chair, House Ways and Means Committee  
6 Bladen Street, House Office Building, Room 131  
Annapolis, MD 21401

**Subject: Maryland Individual Tax Increases and Corporate Tax Proposal Will Cause Irreparable Harm to Maryland Residents and Discourage Investment in Maryland**

Dear Chair Barnes, Chair Atterbeary and Members of the House Appropriations and Ways and Means Committees:

My name is Alan Pasetky and as a Maryland resident, small business owner and tax professional, I am deeply disturbed at several of the tax provisions in HB 352. As you undoubtedly know, despite all that Maryland has to offer and its prime location, it is not a premier landing spot for individuals or corporations. Instead of creating a tax climate incentivizing individuals and small businesses to move here, stay and retire here and corporations to invest here, these proposals just drain more from those who do make Maryland their home. Being known as a state with taxes rivaling the District of Columbia and California is not the long-term goal I would think policy makers have in mind.

On the individual tax side, the proposals to raise the individual rates are not only a disincentive for individuals to reside in Maryland, but also hurt small businesses, which I thought were an important focus of legislators. I think it is often forgotten that most small business owners are taxed as pass through entities or sole proprietorships so an increase in individual rates is a direct hit on such businesses. Given such businesses may be mobile and many employees can work remotely, why would any prudent business person set up a business or work in Maryland?

I was also disappointed that the Governor stated that 82% of Marylanders will either see no change or a tax decrease, which the Comptroller has finally demonstrated to be inaccurate. It is obvious that the elimination of itemized deductions with a minor increase to the standard deduction would increase the taxes on many in all income brackets, especially those who have roots in Maryland with mortgages or are ill with significant medical expenses. Further, the itemized deduction elimination combined with the income tax rate increases (which penalize married couples) and capital gains tax will push Maryland above Washington, D.C. in terms of state/local taxes due and more closely align it with California.

The capital gains tax provision makes little sense since the federal government and most countries around the world give such gains preferential tax treatment. The bill would result in giving capital gains harsher treatment than any other form of income and there is no basis for doing so. It should retain its current treatment as being taxed the same as other forms of income. Additionally, there is no capital gain threshold (such as above say \$50,000 of capital gains) for the tax to apply. So, if a Maryland resident above the arbitrary income threshold needs to sell some stock to make a mortgage payment, pay property taxes, a medical bill or a college tuition bill, such individual would incur this additional tax for no good policy reason even if the capital gain was only say \$20,000.

Finally on the individual side, the estate tax threshold reduction to \$2 million is just not reflective of reality, the cost of living of the area or housing prices. First, the justification of reducing the threshold this because of an elimination of the inheritance tax is completely unfounded as there is an estate tax credit for inheritance tax paid. So, for example, currently if an estate would have had to incur an estate tax of \$10,000 but there would also be an inheritance tax of \$1,000 due, the estate tax would be reduced to \$9,000 so Maryland would collect \$10,000 in total. If the inheritance tax was repealed, Maryland would still collect \$10,000 of estate tax so there is no revenue impact of repealing the inheritance tax. However, second, and most importantly, is that such a threshold is absurdly low and out of sync with the reality of Maryland property values. It will result in taxing an estate with a modest size home where someone had a retirement plan and some prudent savings. It is out of line with the federal threshold and again, considering neighboring states have no estate tax, is a complete incentive to retire to a neighboring state to protect hard earned assets you would like to pass to your children. I feel very confident that this change will significantly impact where retirees decide to reside in their golden years as I and members of my community are already thinking about our options if this passes.

Now let's consider the corporate income tax proposal to enact water's edge combined reporting. As any reputable tax professional knows, there is no guarantee of any revenue from combined reporting as companies' Maryland tax could increase or decrease and any potential revenue stream would be volatile. Maryland above all should realize this because it was studied by Maryland in 2016 and 2010 with the conclusion it was an anti-business, volatile revenue stream provision. Additionally, Maryland already has had the laws in place (addback rules) since 2004 (Section 10-306.1 of the Tax-General Article) to address any perceived loopholes for large multinational companies so there is no need for combined reporting. So, there is no loophole to close and states do not typically have addback rules and combined reporting.

Additionally, the language of the combined reporting proposal in HB 352 is out of line with all states with combined reporting because it takes its language from an old starting point template. Maryland would be best served by using the language of a statute from a state that has been through the enactment process. Specifically, the current proposal in HB 352 would potentially result in discrimination against foreign companies that would now be double taxed

unlike the combined reporting laws of any other state. Thus, if you insist on moving forward with combined reporting, I implore you to make it a real water's edge statute like all other states by deleting the provision that includes international companies because they have U.S. source income (Section 10-402.1(E)(2)(VI)). Otherwise, you will be discouraging businesses from locating or investing in Maryland.

The tax increases and changes mentioned above will undoubtedly impact the choice people and businesses make in deciding where to live and invest. When tax rates were increased in previous years, people departed the state and they will again. As we have an aging population with many nearing or reaching retirement age, families and empty nesters downsize and relocate. Given the proposed income tax and estate tax changes, people will not consider Maryland as a retirement destination and those in Maryland will certainly consider nearby states such as Delaware (which has lower income taxes, no estate tax, much lower property taxes and no sales tax) and Virginia (which has lower income taxes and no estate tax). For the younger crowd, when deciding where to live, especially if remote work is an option, they will also consider neighboring states. This also impacts the Maryland business community as it will make it harder for Maryland businesses to find good local people to hire and more importantly, because small businesses are typically taxed at individual tax rates, they will operate from other states as well.

Thank you very much and I hope you consider that taxes really do matter to people and businesses when choosing where to live and invest.

Sincerely,

A handwritten signature in blue ink that reads "Alan Pasetsky". The signature is written in a cursive, flowing style.

Alan Pasetsky

137 Bytham Ridge Lane

Potomac, Maryland 20854

914-806-2489

**AUC of MD\_HB 352\_FWA.docx.pdf**

Uploaded by: Andrew Griffin

Position: FWA



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February 27, 2025

Legislative Position: Favorable w/Amendments  
House Bill 352  
Budget Reconciliation and Financing Act of 2025  
House Appropriations Committee  
House Ways & Means Committee

Dear Chairs Barnes and Atterbeary:

Established in 1950, the Associated Utility Contractors of Maryland, Inc. (AUC) is dedicated to advancing the utility contracting industry across the state. Our mission is to foster strong relationships between utility contractors and their clients, uphold the highest professional standards within the industry, and elevate the reputation of utility professionals within the business community. We actively advocate for public policies that address industry challenges and contribute to improving Maryland's overall business environment.

The Budget Reconciliation and Financing Act of 2025 is an expansive piece of legislation and proposals contained within it, like lowering the corporate income tax rate, are necessary to remain competitive with our regional neighbors and jumpstart Maryland's economy. The best way to fix our state's budget circumstances is to invest in policies that provide long term business investment and economic growth. However, we write to express significant concerns regarding other proposals contained in House Bill 352, measures that could adversely affect businesses across our state and our industry in particular. The proposed increased personal income taxes impacting pass-through entities and the proposed fee per ton of mined material sold in the state are the two most concerning issues in our industry.

### **Increased Personal Income Taxes Negatively Impact Maryland's Small Businesses**

HB 352 proposes higher personal income tax rates for individuals earning over \$500,000, with rates increasing to 6.25% and 6.5% for those earning over \$1 million. This change directly impacts pass-through entities—such as S-corporations, partnerships, and LLCs—where business income is taxed at the individual level. The

increased tax burden on these entities will hinder their growth, reduce reinvestment, and discourage entrepreneurship within Maryland. Small businesses and PTEs are the backbone of Maryland's economy. We encourage the committees to not raise Maryland's personal income tax as it will negatively impact our county's businesses.

### **Proposed Fee On Mined Material**

HB 352 proposed a 1 cent fee per ton of mined material sold each year to renew a surface mining permit in Maryland. The fee is then set to increase by .25 cent per ton every two years beginning in FY 2028. As utility contractors we do not own or operate surface mines, however, aggregate material (rock, stone, etc.) is required on almost every underground utility project. The proposed fee on tons sold will be passed on to customers, in this case the utility contractors. This proposed fee will drive up the cost of utility projects in Maryland. We encourage the committee to eliminate this portion of the permit renewal and increase the amount per acre which falls under the permit.

While the objectives of HB 352 are to address Maryland's fiscal challenges, the potential negative impacts on Maryland's business community are considerable. I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

Sincerely,

Associated Utility Contractors of Maryland

# **HCCC\_HB 352\_FWA.pdf**

Uploaded by: Andrew Griffin

Position: FWA



February 27, 2025

Legislative Position: Favorable w/Amendments  
House Bill 352  
Budget Reconciliation and Financing Act of 2025  
House Appropriations Committee  
House Ways & Means Committee

Dear Chairs Barnes and Atterbeary:

Founded in 1969, the Howard Chamber of Commerce is dedicated to helping businesses—from sole proprietors to large international firms—grow and succeed. With the power of 700 members that encompass more than 170,000 employees, the Howard County Chamber is an effective partner with elected officials and advocates for the interests of the county’s business community.

The Budget Reconciliation and Financing Act of 2025 is an expansive piece of legislation and proposals contained within it, like lowering the corporate income tax rate, are necessary to remain competitive with our regional neighbors and jumpstart Maryland’s economy. The best way to fix our state’s budget circumstances is to invest in policies that provide long term business investment and economic growth. However, I write to express significant concerns regarding other proposals contained in House Bill 352, measures that could adversely affect businesses across our state. The implementation of combined reporting, increased personal income taxes impacting pass-through entities, and the elimination of the Enterprise Zone Tax Credit are three that businesses in Howard County are the most concerned with.

### **Combined Reporting Requirement**

HB 352 mandates combined reporting, a tax scheme that neither of our regional economic competitors, Pennsylvania or Virginia, mandate. Combined reporting introduces substantial complexity and administrative burdens for businesses operating across state lines, a common practice for many Maryland businesses. Combined reporting places Maryland companies at a competitive disadvantage, deterring business investment and expansion within the state. Further, Maryland’s Comptroller was given add-back authority in 2004 which provides the exact remedy to the problem combined reporting alleges to solve. We encourage the committees to remove combined reporting.

### **Increased Personal Income Taxes Negatively Impact Maryland’s Small Businesses**

HB 352 proposes higher personal income tax rates for individuals earning over \$500,000, with rates increasing to 6.25% and 6.5% for those earning over \$1 million. This change directly impacts pass-through entities—such as S-corporations, partnerships, and LLCs—where business income is taxed at the individual level. The increased tax burden on these entities will hinder their growth, reduce reinvestment, and discourage entrepreneurship within Maryland. Small businesses and PTEs are the



backbone of Maryland's economy. We encourage the committees to not raise Maryland's personal income tax as it will negatively impact our county's businesses.

### **Elimination of the Enterprise Zone Tax Credit**

HB 352 intends to repeal the Enterprise Zone Tax Credit, a program established to stimulate economic growth in economically distressed areas by offering tax incentives to businesses. This program has been instrumental in attracting and retaining businesses in targeted regions around the state such as Baltimore City and Prince George's County, two jurisdictions that have benefited greatly from the program. **Here in Howard County, County Executive Ball announced the county's first enterprise zone for the Route 1 corridor and Columbia Gateway in January 2025.** This new Eastern Howard County Enterprise Zone will generate capital investment and encourage economic development and job creation that will benefit residents and businesses throughout the county. Eliminating this credit could lead to reduced investment in these areas, adversely affecting local economies and employment opportunities. We encourage the committees to retain the Enterprise Zone Tax Credit.

While the objectives of HB 352 are to address Maryland's fiscal challenges, the potential negative impacts on Maryland's business community are considerable. I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

Sincerely,

Kristi Simon  
President & CEO  
Howard County Chamber of Commerce

**MDCC\_HB 352\_FWA.docx.pdf**

Uploaded by: Andrew Griffin

Position: FWA



## House Bill 352

Date: February 27, 2025

Committee: House Appropriations & Ways and Means Committees

Position: Favorable w/Amendments

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

The Budget Reconciliation and Financing Act of 2025 is an expansive piece of legislation and proposals contained within it, like lowering the corporate income tax rate, are necessary to remain competitive with our regional neighbors and jumpstart Maryland's economy. The best way to fix our state's budget circumstances is to invest in policies that provide long term business investment and economic growth. However, I write to express significant concerns regarding other proposals contained in House Bill 352, measures that could adversely affect businesses across our state. The implementation of combined reporting, increased personal income taxes impacting pass-through entities, and the elimination of the Enterprise Zone Tax Credit are three that Maryland Chamber members are the most concerned with.

### Combined Reporting Requirement

HB 352 mandates combined reporting, a tax scheme that neither of our regional economic competitors, Pennsylvania or Virginia, mandate. Combined reporting introduces substantial complexity and administrative burdens for businesses operating across state lines, a common practice for many Maryland businesses. Combined reporting places Maryland companies at a competitive disadvantage, deterring business investment and expansion within the state. Further, Maryland's Comptroller was given add-back authority in 2004 which provides the exact remedy to the problem combined reporting alleges to solve. We urge the committees to remove combined reporting.

### Increased Personal Income Taxes Negatively Impact Maryland's Small Businesses

HB 352 proposes higher personal income tax rates for individuals earning over \$500,000, with rates increasing to 6.25% and 6.5% for those earning over \$1 million. This change directly impacts pass-through entities—such as S-corporations, partnerships, and LLCs—where business income is taxed at the individual level. The increased tax burden on these entities will hinder their growth, reduce reinvestment, and discourage entrepreneurship within Maryland. Small businesses and PTEs are the backbone of Maryland's economy. We urge the committees to not raise Maryland's personal income tax as it will negatively impact our county's businesses.

### Elimination of the Enterprise Zone Tax Credit



HB 352 intends to repeal the Enterprise Zone Tax Credit, a program established to stimulate economic growth in economically distressed areas by offering tax incentives to businesses. This program has been instrumental in attracting and retaining businesses in targeted regions around the state such as Baltimore City and Prince George's County, two jurisdictions that have benefited greatly from the program. Eliminating this credit could lead to reduced investment in these areas, adversely affecting local economies and employment opportunities. We urge the committees to retain the Enterprise Zone Tax Credit.

While the objectives of HB 352 are to address Maryland's fiscal challenges, the potential negative impacts on Maryland's business community are considerable. I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

**NCWhb352.pdf**

Uploaded by: Barry Glassman

Position: FWA



February 24, 2025

The Honorable Ben Barnes, Chair  
The Honorable CT Wilson, Chair  
House Appropriations and Ways and Means Committee

**RE: House Bill 352 – Budget Reconciliation and Financing Act of 2025  
Favorable with Amendment**

Dear Chairs Barnes, Wilson and Members,

Please be advised that my client Nature's Care and Wellness is **opposed** to the proposed increase in the sales tax for cannabis purchases. Nature's Care and Wellness was formed in 2014 and became the ninth dispensary opened in January of 2018 and employs 68 employees. After the investment of considerable capital and conversion fees, NCW added recreational cannabis sales as one of Maryland's independently owned and operated dispensaries.

House Bill 352 proposes to increase the cannabis sales tax from 9% to 15% during the following year. NCW feels that it is premature to include the increase in this BFRA and should be examined later.

It is also premature to schedule such a drastic increase when Maryland's cannabis industry is still really in its infancy even for established licensees. The move to 15% would be even more problematic for new licensees and Maryland's efforts to support our equity businesses who are just getting established. It goes without saying that the greatest risk of such a tremendous increase is the likelihood of pushing folks back into the illegal and unregulated markets.

NCW recommends an **amendment to remove this prospective increase and adopting some language in the BFRA to study the implications of higher tax rates on the cannabis market.**

Thank you for your review and consideration.

Sincerely,

Barry Glassman



# **MaCCRA Testimony 2025 - Support with Amendment - H**

Uploaded by: Bruce Hartung

Position: FWA



**Maryland Continuing Care Residents Association**  
**Protecting the Future of Continuing Care Residents**  
**The Voice of Continuing Care Residents at Annapolis**

**SUBJECT:** House Bill 352 - Budget Reconciliation and Financing Act of 2025

**COMMITTEES:** House Appropriations Committee  
The Honorable Benjamin S. Barnes, Chair

House Ways & Means Committee  
The Honorable Vanessa E. Atterbeary, Chair

**DATE:** Thursday, February 27, 2025

**POSITION:** **SUPPORT WITH AMENDMENT**

**The Maryland Continuing Care Residents Association (MaCCRA)** is a not-for-profit organization representing the residents in continuing care retirement communities (CCRCs). Maryland has over 20,000 older adults living in 38 licensed CCRCs. The principal purpose of MaCCRA is to protect and enhance the rights and financial security of current and future residents while maintaining the viability of the providers whose interests are frequently the same as their residents. MaCCRA supports efforts to enhance transparency, accountability, financial security, and preserve existing protections in law and regulation for current and future CCRC residents statewide.

All CCRC communities offer various levels of care for senior citizens. Those in assisted living and nursing care, as well as those in independent living with a life care agreement or Type A plan, pay for a substantial amount of medical care. The medical expense deductions from their Maryland income tax that they have been taking for the costs of this care will greatly exceed the amount of the standard deduction proposed in the subject Bill, resulting in a considerable increase in the taxes they will owe.

This will have a disproportionate effect on CCRC residents who are in most cases living on fixed incomes and no longer able to be gainfully employed. Consequently, it is crucial that the proposed House Bill 352 be amended to permit taxpayers with qualified unreimbursed medical expenses deducted on their federal income tax return in excess of the standard deduction they would qualify for on their Maryland income tax return to use the medical expense deduction in lieu of the standard deduction.

**We support a favorable report on House Bill 352 but only with the essential amendment described above.**

**For further information please contact:**

Bruce Hartung, President Maryland Continuing Care Residents Association c/o [brucehartung@sbcglobal.net](mailto:brucehartung@sbcglobal.net)

**HB352\_MDCEP\_FWA.pdf**

Uploaded by: Christopher Meyer

Position: FWA

# Policymakers Should Prioritize Tax Reform, Not Cuts for a Healthy, Equitable Maryland Economy

## Position Statement Supporting House Bill 352 With Amendments

*Given before the Appropriations and Ways and Means Committees*

### **Governor Moore's Tax Reform Package Lays a Critical Foundation for Public Investments**

*Pages 111–126*

No matter what we look like or where we come from, most Marylanders believe in caring for our families and leaving things better for the generations to come. However, the upside-down tax system we have today makes it harder for our communities to thrive. For decades, wealthy corporations have rigged the rules to avoid paying taxes, putting most of the responsibility for funding our schools, health care, roads and transit on working families and small businesses. Now, one-third of the largest corporations in the state pay zero income taxes in a typical year, and the wealthiest 1% of Marylanders pay a smaller share of their income in taxes than the rest of us. This system is as ineffective as it is unfair, falling billions short of the revenue needed in coming years to implement the Blueprint for Maryland's Future and support other bedrock public services. Lawmakers must choose: ask large corporations and wealthy individuals to pay their fair share, or abandon promises made to Maryland families. **The Maryland Center on Economic Policy strongly supports Gov. Moore's proposed income and corporate tax reforms, which will raise hundreds of millions in new revenue, lower taxes for working families, and take a major step towards a fairer and more effective tax system.**

House Bill 352:

- **Closes corporate tax loopholes** that allow big businesses to artificially shift profits to domestic tax havens. Most states have already cracked down on domestic tax avoidance by requiring the version of combined reporting in HB 352 and it is long overdue that Maryland joins them. The tax system we have today gives corporations an unfair advantage over large businesses. Ideally, Maryland should adopt the worldwide approach outlined in HB 1014, the Fair Share for Maryland Act, which provides stronger protection and is estimated to raise more than \$700 million per year altogether.<sup>1</sup>
- **Asks the wealthiest individuals to pay their fair share** by adding new income tax brackets for income over \$500,000 and \$1 million and eliminating itemized deductions. Today, the wealthiest 1% of Marylanders (those with income over \$700,000) pay a smaller share of their income in state and local taxes than any other income group.

- **Taxes investment income like income from work.** Income earned from wealth rather than work is subject to a special low federal income tax rate, the capital gains rate, providing lopsided benefits to higher-income Marylanders. HB 352 partially offsets the federal government’s special treatment by adding a 1% surtax on capital gains income above \$350,000.
- **Fixes the estate tax on multimillionaire heirs** by exempting the first \$2 million in assets, double the exemption used until 2014. MDCEP does not support eliminating the inheritance tax as, contrary to popular perception, these taxes do not actually overlap and serve different functions in taxing inherited wealth.
- **Lowers taxes for working families** by doubling the standard deduction and strengthening the Child Tax Credit by creating a more gradual phase-out, allowing people with income between \$15,000 and \$24,000 in income to receive a partial credit.

### **Fair Business Taxes Are Part of a Thriving Economy**

A well-designed revenue system is essential for maintaining Maryland’s economic health throughout the ups and downs of our state’s economy. An effective tax code supports the building blocks of a thriving community, such as health care, education, and transportation. Just as importantly, a fair tax code ensures that everyone contributes their share to maintain those building blocks – including families, local businesses, and large corporations. The public investments our taxes make possible are especially vital amid a weak economy, when every job created or protected can soften the blow to families and communities.

However, large, multistate corporations are often able to wield their economic and political power to artificially reduce their tax responsibilities in Maryland. Corporate tax loopholes make it harder for the state to invest in basic services and further tip the scales of our economy in favor of the wealthy and powerful few. This harms communities across Maryland as well as small, local businesses that cannot exploit similar loopholes. The greatest harms often fall on communities of color, women, people with disabilities, and other Marylanders who face economic roadblocks built by centuries of lopsided policy choices.

By enacting the reforms included in HB 352 to close corporate tax loopholes, we can protect and improve the public services that keep Maryland communities going. Maryland currently derives a smaller share of state and local revenue from taxes on businesses than any other state, according to analysis by global consulting firm EY for the pro-business advocacy group COST.<sup>ii</sup> Strong evidence makes clear that an effective corporate tax code enables investments that benefit families and businesses alike and can protect local economies during hard times. Contrary to misleading claims by antitax advocates, cleaning up Maryland’s corporate tax code is the right choice for our economy today and in the decades to come.

### **Fixing Maryland’s Upside Down Tax Code Will Support Thriving Communities**

House Bill 352 would also make Maryland’s revenue system more equitable. Today, our tax code is upside down, allowing the wealthiest 1% of households to pay a smaller share of their income in state and local taxes than the rest of us do.<sup>iii</sup> Reforming our income tax would make significant progress toward turning our tax code right side up

Strong evidence from credible research as well as from other states' experience tells us that asking the wealthiest individuals to contribute to the services we all rely on is consistent with a vibrant economy:

- **The bulk of empirical research finds little link between state tax policy and where people want to live.**<sup>iv</sup> This is consistent with common sense: For most of us, factors like good jobs, affordable housing, great schools, pleasant weather, and being close to relatives are far more important than tax rates.
- An analysis by the Institute on Taxation and Economic Policy compared the economic performance of the nine states with the highest statutory income tax rates to the nine states that do not levy a personal income tax.<sup>v</sup> This analysis found that from 2006 to 2016, the states with high statutory income tax rates saw faster per-capita growth than the no-income tax states in GDP, personal income, disposable personal income, personal consumption, and prime-age employment.
- The District of Columbia enacted similar tax reforms in 2022 and has since seen the number of high-income residents increase – to the highest level ever.<sup>vi</sup>

## **Phasing Out Ineffective Subsidies Preserves Resources for Essential Services**

*Pages 109–111*

As policymakers have added a growing number of business subsidies to Maryland's tax code over the last several decades, evidence has begun to pile up that the millions of dollars we put into business tax breaks each year do little to support Maryland's economy. Worse, these tax breaks use up resources that could otherwise be invested in assets businesses value, such as great public schools and modern transportation infrastructure. House Bill 352 would phase out Enterprise Zone Tax Credits, a business subsidy program that the Department of Legislative Services has found suffers significant design shortfalls and is ineffective in increasing employment opportunities for enterprise zone residents.<sup>vii</sup> **The Maryland Center on Economic Policy strongly supports phasing out Enterprise Zone Tax Credits.**

## **Reject Proposed Cuts to Behavioral Health Care Services for Kids**

*Pg. 22, lines 17–18*

Addressing students' mental health is critical to them being able to succeed in schools. The Maryland Consortium on Consolidated Community Supports plays a critical role in delivering mental health care and other wraparound services in schools, where they will be the most successful at reaching kids who need them. As funding has ramped up for this program over the last few years, the Consortium is now in 80% of schools in the state, serving 58,000 students in just March–October of last year, with more than 70% of those receiving services having improved outcomes.<sup>viii</sup>

Cutting two-thirds of the funding for the Consortium would be a massive step backwards. We strongly urge the Committee to at least maintain funding at the current level of \$110 million. About 23% of Maryland children ages 3-17 experienced mental, emotional, developmental, or behavioral problems between 2022 and 2023.<sup>ix</sup>

## **Preserve Low-Intensity Support Services for People With Disabilities**

*Pg. 128*

The Developmental Disabilities Administration's Low Intensity Support Services (LISS) Program serves children living at home with their family and adults with developmental and/or intellectual disabilities living in their own home in the community who are not receiving any support services from the DDA. This program serves 2,000 to 2,500 people a year and provides small, flexible grants of up to \$2,000 to address specific one-time needs like home modifications, equipment, or respite services. Eliminating these funds could leave people with disabilities and their families unable to address their needs. The language included in HB 352 also goes a step further by proposing to eliminate the program entirely, rather than just temporarily limit funding. MDCEP strongly supports maintaining the structure for the program, at a minimum, and supports restoring the funds for FY 2026.

## **Reject Proposals to Shift Funding Responsibilities to Local Governments**

*Pg. 55, line 18–Pg. 56, line 15*

*Pg. 76, line 29–Pg. 27, line 29*

*Pg. 108, line 3–Pg. 109, line 7*

Maryland's state and local governments share responsibility for funding several services, such as public servant retirement costs and property tax administration. Local governments currently face significant fiscal challenges of their own and typically have less flexibility than the state to raise new revenue. Unilaterally shifting funding responsibilities onto local governments is irresponsible. It does not *solve* fiscal challenges, it simply asks someone else to solve them. MDCEP opposes proposals to reduce then eliminate teacher retirement supplemental grants, increase the local share of teacher and community college retirement costs, and increase the local share of Department of Assessments and Taxation costs.

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<sup>i</sup> Carl Davis, Matthew Gardner, and Michael Mazerov, "A Revenue Analysis of Worldwide Combined Reporting in the States," Institute on Taxation and Economic Policy, 2025, <https://itep.org/worldwide-combined-reporting-state-corporate-taxes/>

<sup>ii</sup> Andrew Phillips and Caroline Sallee, "Total State and Local Business Taxes: State-by-State Estimates for FY23," EY, 2024, [https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/score\\_ey-50-state-tax-burden-study\\_final\\_121824.pdf](https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/score_ey-50-state-tax-burden-study_final_121824.pdf)

<sup>iii</sup> Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf> Maryland-specific data available at <https://itep.org/whopays/maryland/>

<sup>iv</sup> Michael Mazerov, "State Taxes Have a Negligible Impact on Americans' Interstate Moves," Center on Budget and Policy Priorities, 2014, <https://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-negligible-impact-on-americans-interstate-moves>

<sup>v</sup> Carl Davis and Nick Buffie, "Trickle-Down Dries Up: States without Personal Income Taxes Lag behind States with the Highest Tax Rates," Institute on Taxation and Economic Policy, 2017, <https://itep.org/trickle-down-dries-up/>

<sup>vi</sup> Nick Johnson, "Maryland's Tax Reform Likely Won't Cause Millionaire Migration," Institute on Taxation and Economic Policy, 2025, <https://itep.org/marylands-tax-reform-likely-wont-cause-millionaire-migration/>

<sup>vii</sup> Mindy McConville, Brett Ogden, and Robert Rehrmann, "Evaluation of the Enterprise Zone Tax Credit," Department of Legislative Services, 2022, [https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation\\_Enterprise\\_Zone\\_Tax\\_Credit.pdf](https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_Enterprise_Zone_Tax_Credit.pdf)

<sup>viii</sup> "Maryland Consortium on Coordinated Community Supports Updates," Maryland Department of Health, 2025, <https://health.maryland.gov/mchrc/Pages/Maryland-Consortium-on-Consolidated-Community-Supports.aspx>

<sup>ix</sup> 2022–2023 National Survey of Children's Health

# **HB0352\_DavidFriedman\_FWA.pdf**

Uploaded by: David Friedman

Position: FWA

2/27/2025

David M. Friedman

Silver Spring, MD 20905

**TESTIMONY ON HB0352 - POSITION: FAVORABLE WITH AMENDMENTS**  
**Budget Reconciliation and Financing Act of 2025**

**TO:** Chair Barnes, Vice Chair Chang, and members of the Appropriations Committee AND Chair Atterbeary, Vice Chair Wilkins, and members of the Ways and Means Committee

**FROM:** David M. Friedman

**My name is David Friedman. I am a resident of District 14 in Colesville/Cloverly. I am submitting this testimony in support with amendments of HB 352, Budget Reconciliation and Financing Act of 2025.**

I am an active member of Oseh Shalom, a Jewish Reconstructionist congregation located in Laurel, MD. Jewish tradition teaches that in a just world, all people - regardless of race, income, or zip code - would have what the Torah calls *dei machsoro*, resources sufficient for their needs (Deut, 15:4-11). More recently, modern Jewish legal commentary (such as Shuts Tsis Eliezar 2:22) teaches that all communal taxes should be assessed progressively - the wealthy pay more both in amount and percentage. I have lived in Maryland for almost 45 years, moving here after getting married and starting my career as an economist at the US Bureau of Labor Statistics. My wife and I chose to live and raise our daughter in Maryland because of its excellent schools, recreation, public services, and diversity. As a retired Federal economist and a devoted Marylander, I find it alarming how upside-down current tax responsibilities are in our state. Our state favors tax avoidance by multi-state and multinational corporations, along with the wealthiest 1% of Marylanders who pay a smaller share of their family income in total taxes than the rest of us<sup>1</sup>.

Thus, I believe that passing Governor Moore's revenue package as included in HB 352 provides an essential foundation for our state's budget for the next year and into the future. However, I also feel that it is only a starting point. While many of Governor Moore's proposals are in alignment with provisions in the proposed Fair Share for Maryland Act of 2025 (HB 1014), adopting *all* of the tax provisions in HB 1014 would go a critical step further in preventing some of the other proposed cuts to public services and/or providing Maryland resources to help respond to harmful Federal funding cuts. I especially point out that implementing "worldwide" combined reporting as contained in HB 1014 as opposed to "water's edge" as proposed in HB 352 would fully close that corporate tax loophole, while raising significantly more revenue.

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<sup>1</sup> See <https://itep.org/whopays/maryland-who-pays-7th-edition/>

Both Gov. Moore's proposals and the Fair Share for Maryland Act would also help create a more just and equitable tax system, ensuring that the wealthy corporations and individuals who are getting a break under our current system are paying their fair share in taxes. We can't grow our economy if we are cutting back on things like public schools, child care, and transit service. Raising significant new revenue is the right choice to support Maryland families and strengthen our communities. **Thus, I respectfully urge this committee to return a favorable with amendments report on HB 352.**

**HB0352\_FWA\_MTC\_BRFA.pdf**

Uploaded by: Drew Vetter

Position: FWA



House Appropriations Committee  
House Ways and Means Committee  
February 27, 2025

House Bill 352 – *Budget Reconciliation and Financing Act of 2025 (BRFA)*  
**SUPPORT WITH AMENDMENT**

The Maryland Tech Council (MTC), with over 800 members, is the State’s largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State’s life sciences and technology communities into a united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of support with amendment for House Bill 352.

As stated above, propelling Maryland to be the country’s number one innovation economy for life sciences and technology is core to our mission. Many of the investments in the Administration’s budget align with that goal. We appreciate the Administration’s focus on growing key industries in the tech sector, including life sciences, IT, aerospace and defense, quantum, and A.I. Being the best State in the country for innovation means that MTC views all policy, regulatory, and budget proposals through the lens of economic competitiveness. Therefore, we encourage the General Assembly to view the various revenue proposals within the BRFA through the lens of economic competitiveness. The MTC also recognizes the enormity of the challenge facing the Administration and General Assembly as it seeks to balance a budget with a \$3 billion deficit. We further recognize that ongoing developments at the federal level continue to put further strain on the State budget and are contributing to an environment of uncertainty about the state of our economy.

MTC conducted an informal poll of its members based on various proposals within the proposed BRFA. There were 80 MTC member companies that responded to the survey. The following are some key takeaways:

- 45.7% stated that the proposed corporate income tax rate reduction would have a moderate or significant positive impact. 41.3% of members said it would have no impact.
- 39% of surveyed members responded that combined reporting would have a moderate or significant impact, most commonly citing increased tax liability and additional compliance costs as the primary impacts.
- When asked about the proposed personal income tax changes, 13% stated that they would result in higher tax liability, 13% stated that they would harm their ability to attract/retain executive talent, and 19.6% stated both are concerns. 54.4% stated that the personal income tax proposals would not have an impact.

- When asked about the proposed capital gains surcharge, 47.8% of respondents stated it would have no impact, while 43.5% stated they would have a moderate or significant negative impact.
- When asked about proposed changes to the estate and inheritance taxes, 37% of respondents said that the changes would have an impact on both succession planning and ownership transfer strategy; 47.8% said the proposed changes would not impact those factors.

Although the above responses represent the results of an informal survey sent to our members, these results do help shed some light on how our members in the life sciences and tech communities perceive the proposed changes. We hope the General Assembly considers this feedback and how it relates to our economic competitiveness goals as it deliberates the BRFA and FY 2026 budget.

Finally, MTC would like to note its concerns about the proposed retail delivery fee of \$0.75 per delivery. We appreciate that the fee would not apply to direct purchase businesses in their first year of operations or those earning less than \$500,000 annually. Still, we remain concerned that this fee will have a negative impact on small businesses that use the online marketplace to reach customers and grow in Maryland. As stated above, viewed through the lens of competitiveness, we fear that the proposed delivery fee puts Maryland at a disadvantage in the region. Surrounding states do not have a retail delivery fee and may be perceived by small businesses as more favorable to locate and become employers. Furthermore, we are concerned that small online sellers in Maryland currently will experience a drop in demand for their products. These types of negative impacts for small businesses have been experienced in Colorado, where small businesses have experienced customer complaints about increased prices due to Colorado's retail delivery fee.

**For more information call:**

Andrew G. Vetter  
J. Steven Wise  
Danna L. Kauffman  
Christine K. Krone  
410-244-7000

**BILL#HB352\_EmilyBlank\_FAV WITH AMENDMENTS.pdf**

Uploaded by: Emily Blank

Position: FWA

February 27, 2025

Emily C Blank, Brentwood, MD 20722

**TESTIMONY ON HB#352 - POSITION: (FAVORABLE WITH AMENDMENTS)**  
**Budget Reconciliation and Financing Act of 2025**

**TO:** Chair Barnes, Vice Chair Chang, and members of the Appropriations and Ways and Means Committee

**FROM:** Emily C Blank

**OPENING: My name is Emily Blank. I am a resident of District 47a. I am submitting this testimony in support with amendments) HB#352, Budget Reconciliation and . Act of 2025**

I am a retired economics professor and a member of Oseh Shalom Congregation in Laurel and Bend the Arc Jewish Action, MD.

My Jewish values include the supposition that community members should help each other, and especially help those who have the fewest resources. And as a senior citizen, I desire that the government continues to do all the good things it has always done for the community, if not even more.

Passing Gov. Moore's revenue package as included in HB 352/SB 321 provides an essential foundation for our state's budget for the next year and into the future, and I urge the Committee to adopt it. However, this is just a starting point. Adopting the Fair Share for Maryland Act (HB 1014/SB 859) would go a step further in preventing some of the other proposed cuts to public services and providing the state resources to help respond to harmful federal budget cuts.

In sum, to ensure that Maryland keeps protecting/enhancing the lives of all its citizens, I respectfully urge this committee to return a favorable with amendments proposed by the Fair Share Coalition on HB#352.

# House Bill 352 Final Testimony (1).pdf

Uploaded by: Giavante Hawkins

Position: FWA



MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

10451 Mill Run Circle #625  
Owings Mills, MD 21117

1-800-922-9672  
410-876-5998

FAX 443-881-4146  
www.msatp.org

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**Giavante' Hawkins**  
*Executive Director*

January 27, 2025

House Appropriations Committee  
House Office Building, Room 121  
6 Bladen Street  
Annapolis, MD 21401

**RE: Support with Amendments for HB 352 - Budget Reconciliation and Financing Act of 2025**

Dear Chair and Members of the Committee:

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP) represents the voices of over 2,000 tax and accounting professional members. Our members, who are tax and accounting professionals, serve over 700,000 Maryland residents, providing essential financial and tax services across the state. We are writing today to support House Bill 352 with amendments to address several concerns that could impact Maryland taxpayers and businesses.

While we appreciate the bill's attempt to address Maryland's fiscal challenges, several provisions require modification to prevent undue burden on taxpayers and businesses. The proposed individual income tax increase, particularly with county rate increases, could result in combined rates approaching 9%, potentially driving residents to relocate to neighboring states with lower tax burdens. The marriage penalty in the current structure, where joint filing thresholds are not doubled from single rates, creates inequity that should be addressed.

Reducing Maryland's estate tax exclusion from \$5,000,000 to \$2,000,000 could have significant unintended consequences for the state's economy and residents. Such a change would disproportionately impact small business owners, family farms, and middle-income households who have built their wealth over generations. These individuals often rely on their estates to support future generations or sustain businesses that contribute to Maryland's economy. Lowering the exclusion threshold could also incentivize wealthier residents to relocate to more tax-friendly states, ultimately reducing Maryland's overall tax revenue. Additionally, the increased tax burden on heirs may force the liquidation of family assets, disrupting local economies and eroding generational stability. Instead of penalizing wealth accumulation, the state should prioritize policies that encourage investment and economic growth while preserving Maryland's competitiveness and attractiveness as a place to live, work, and retire.

The elimination of itemized deductions without a corresponding increase in the standard deduction to match federal levels would significantly impact many Maryland taxpayers, particularly those with substantial charitable contributions or mortgage interest. We recommend maintaining itemized deductions or substantially increasing the standard deduction to align with federal amounts.

The proposed combined reporting requirements for corporations, while aimed at transparency, could create substantial administrative burdens for businesses, [and] tax preparers, and the Comptroller. The Comptroller is still struggling to effectively implement and administer the changes resulting from the 2020 PTE legislation. We suggest modifications to simplify compliance requirements and provide adequate implementation time.

Additionally, the proposed cannabis sales tax increase from 9% to 15% over two years could inadvertently encourage black market activity, undermining the regulated market's stability.

The retail delivery fee effectively creates an additional sales tax burden on consumers already facing inflation pressures. We recommend either eliminating this fee or implementing a sunset provision to evaluate its impact on Maryland businesses and consumers.

With these amendments, we believe HB 352 could better serve Maryland's fiscal needs while maintaining a competitive business environment and protecting taxpayer interests. MSATP stands ready to work with the Committee to refine these provisions.

Respectfully submitted,

*Giavante' Hawkins*

Giavante' Hawkins

Maryland Society of Accounting and Tax Professionals



# **HB352BRFATestimony.pdf**

Uploaded by: Greg Brown

Position: FWA

House Bill 352

Thursday, February 27, 2025

Committee: House Appropriations & Ways and Means Committees

**Position: Favorable with Amendments**

Dear Chairs Barnes and Atterbeary and Members of the Committees,

The Budget Reconciliation and Financing Act of 2025 is an expansive piece of legislation and proposals contained within it like lowering the corporate income tax rate are necessary to remain competitive with our regional neighbors, helping to spur Maryland's economy. The best way to fix our state's budget circumstances is to invest in policies that decrease taxes and regulatory burden on businesses. Doing this will incentivize businesses to invest in Maryland, create jobs, and increase tax revenue over time by creating self-sustaining jobs and economic growth that is not reliant on government programs and respective inflationary spending. Maryland needs more privatized business now more than ever.

As a Maryland business owner, I write to express significant concerns regarding other proposals contained in House Bill 352 (HB 352) that could adversely impact businesses and employment across our state. I have some concern with combined reporting and elimination of the enterprise tax zone credit. ***I have significant concern with HB 352's inclusion of increasing personal income taxes, impacting pass-through entities.*** This will disincentivize businesses to invest and continue to grow/expand in Maryland. As anti-business, socialist policies are implemented, our State will see higher levels of unemployment, decreases in tax revenue over time, population decline/stagnation, and less economic growth. The combined effect of the anti-business and socialist policies will ultimately increase reliance on government and respective inflationary spending.

HB 352 proposes higher personal income tax rates for individuals earning over \$500,000, with rates increasing to 6.25% and 6.5% for those earning over \$1 million. This change directly impacts pass-through entities (PTEs)—such as S-corporations, partnerships, and LLCs—where business income is taxed at the individual level. The increased tax burden on these entities will hinder their growth, reduce investment/reinvestment (Maryland does not allow bonus depreciation), and discourage entrepreneurship within Maryland.

***Most small businesses require outside investing and leverage to grow, invest, create jobs, and positively impact the economy.*** Free cash flow and disposable income are critical for the long-term success of business and individuals. Creating additional tax burden that decreases/limits free cash flow and respective disposable income on businesses that are already levered seems short-sited and counterintuitive to progress and improvement of livelihoods. Businesses need every bit of cash flow (significantly more than \$500,000 or

\$1,000,000) to effectively take care of their employees, service debt, manage risk, and grow. W2 employees and small businesses are not comparable. W2 employees have not put their lives on the line and levered up to create jobs and directly invest in economic benefit. A W2 employee making \$500,000 or \$1,000,000 has much less risk than a business owner because he/she has flexibility and is not on the hook for business debt and all the other risks of owning a business.

While the objectives of HB 352 are to address Maryland's fiscal challenges, the potential negative impacts on Maryland's business community are considerable. I urge you and the members of the General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in our state.

Please note, Maryland has ~6 Million people whereas Pennsylvania has ~12 Million people and is a much larger state geographically (please note, I have lived in both states and consider both states heavy tax states with minimal differences in perceived services). The current Maryland budget under review is requesting ~\$67 Billion. The current Pennsylvania budget is around \$40 Billion. While I realize there are some structural / geographical differences across the state, it is difficult to understand why Maryland requires 230%+ more money per person than a neighboring state. Maryland does not have a revenue problem, Maryland has a spending problem.

I encourage and challenge you to come together and find a way to pass a budget targeting \$60 Billion and create a more competitive environment for small businesses as well as all the people small businesses currently employ and could potentially employ.

Imagine how strong our state and residents could be if we encouraged and rewarded hard work, accountability, and productivity.

Sincerely,

Gregory R. Brown

President

Monocacy Hospitality

**Copy of HB 352\_Jo Shifrin\_FWA (2).pdf**

Uploaded by: Jo Shifrin

Position: FWA

Date of Hearing: February 27, 2025

Jo Shifrin

Bethesda, MD 20817

**TESTIMONY ON HB 352- POSITION: FAVORABLE with AMENDMENTS**  
**Budget Reconciliation and Financing Act of 2025**

**TO:** Chair Barnes, Vice Chair Chang, and members of the Appropriations Committee

**FROM:** Jo Shifrin

**OPENING: My name is Jo Shifrin. I am a resident of District 16. I am submitting this testimony in support of HB 352, Budget Reconciliation and Financing Act of 2025 with amendments.**

I moved to Bethesda 10 years ago to be near my grandchildren. My support for this legislation comes from my grounding in Jewish values. Jewish tradition teaches that in a just world, all people –regardless of race, income, or zip code– should have what the Torah calls *dei machsoro*, resources that are sufficient for their needs. But in Maryland, some giant corporations and the very rich do not pay their fair share of taxes. In fact, some corporations don't pay any income tax to the State of Maryland by using a tax loophole.

When the State can not collect every person's and corporation's fair share of taxes, it lacks sufficient money to pay for all the needs of Marylanders: good schools, health care, child care, transportation, and a state workforce required to deliver high-quality services.

Maryland is currently facing a staggering budget shortfall which will likely grow worse under the Trump Administration. At the same time, the upside down tax system in Maryland favors multi-state and multinational corporations and the wealthiest one percent of our population. This creates an excess burden on small employers, tax-paying corporations, and working class and middle class individuals.

Passing Governor Moore's revenue package as included in HB 352 provides an essential foundation for our state's budget for the next year and into the future, and I urge the Committee to adopt it. However, this is just a starting point. Adopting the Fair Share for Maryland Act, HB 1014 would go a step further in preventing some of the other proposed cuts to public services and providing the state resources to help respond to harmful Federal budget cuts.

Both Gov. Moore's proposals and the Fair Share for Maryland Act would also help create a more just and equitable tax system, ensuring that wealthy corporations and the wealthiest

individuals, who are not paying their fair share under our current system, will pay their fair share in the future. We can't grow our economy if we are cutting back on things like public schools, child care, and the transportation system. Raising significant new revenue is the right choice to support Maryland families and strengthen our communities.

**For all of these reasons, I respectfully urge this committee to return a favorable report on HB 352 with amendments.**

**MDA\_CANMD\_FWA\_BRFA\_HB352\_Feb27.pdf**

Uploaded by: Joe Bryce

Position: FWA



**House Bill 352 – Budget Reconciliation and Financing Act of 2025**  
**House Ways & Means Committee**  
**House Appropriations Committee**  
**February 27, 2025**

Thank you for the opportunity to express the position of the Maryland Dispensary Association (MDA) and the Maryland Wholesale Cannabis Trade Association (CANMD) on House Bill 352 – *Budget Reconciliation and Financing Act*. Together, our organizations represent a majority of the cannabis dispensary, processor, and grower licensees in Maryland.

In 2023, the General Assembly passed the Cannabis Reform Act (CRA) following the passage of the accompanying Constitutional Amendment in 2022; voters strongly supported that amendment, and legal cannabis sales began in July 2023.

The CRA was a very detailed effort to establish a licensing structure, a regulatory enforcement structure, tax policy, and public safety and health protections to ensure a highly regulated industry that provides safe, tested and consistent products for consumers.

As part of that comprehensive legislation, the General Assembly made a policy decision on the taxation of cannabis and cannabis products. The legislature took a very thoughtful approach to setting this rate by focusing on how to drive consumers to purchase a safe, tested product rather than purchasing in the illicit market (where products are taxed at 0%). There was an awareness that price differential is important, and the legislature chose to not follow the lead of many other states that viewed the policy of cannabis taxation as a revenue generator instead of a tool to counter illegal activity.

Our organizations supported this taxation policy choice as well as other policy choices that help reduce the illicit market – tightly regulated, tested products; sufficient outlets for purchase so that distance was not a barrier for people who want to act lawfully; consumer protection measures; and a variety of consistently dosed products. The 9% tax rate was another important part of driving consumers to legal purchases and taxed the product at a rate higher than the 6% sales tax but at par with other products, such as alcohol.

It is worth noting that the current market is also impacted by the continued sales of intoxicating hemp-derived products at convenience stores, gas stations, tobacco shops and other outlets, pending the outcome of a pending court case. As an unregulated, untested product with no dosage restrictions, these products are widely accessible and

affordable. These products are only subject to the 6% sales and use tax. Increasing the tax on cannabis and cannabis products to 15% (two and a half times greater than the tax on intoxicating hemp-derived products) will provide an incentive for consumers to purchase those products for as long as the court case continues.

MDA and CANMD appreciate the work this General Assembly has done to enact policy that enable Marylanders to safely and responsibly consume cannabis and cannabis products. Raising the tax on these products to 15% would be a significant step away from that policy, particularly as new social equity businesses prepare to enter the legal market. We also acknowledge the challenges the State faces with the current fiscal situation. However, this tax increase will not take effect for almost 18 months and will do nothing to help alleviate the immediate problem. The General Assembly can revisit this policy next year, if necessary. We urge the Committees to strike this provision (page 118, line 4 through page 119, line 8) from the bill.

Christina B. Johnson  
Chair, Maryland Wholesale Cannabis  
Trade Association

Kim Boucher  
President, Maryland Dispensary  
Association

# **MD Letter Ways and Means and Appropriations.pdf**

Uploaded by: Kelsey Johnson

Position: FWA



February 26, 2025

The Honorable Ben Barnes  
Chair, Appropriations Committee  
121 Taylor House Office Building  
Annapolis, Maryland 21401

The Honorable Vanessa E. Atterbeary  
Chair, House Ways and Means Committee  
6 Bladen Street, House Office Building, Room 131  
Annapolis, MD 21401

**Re: GBA Requests Amendments on the Imposition of Combined Reporting, Especially the U.S. Source Income Provision in HB 352**

Dear Chair Barnes, Chair Atterbeary and Members of the House Appropriations and Ways and Means Committees:

On behalf of the Global Business Alliance (GBA), I am writing to request amendments to certain provisions within HB 352 that as drafted will create an unfavorable tax environment and deter investment and growth in the state, making Maryland an outlier from other states that have adopted combined reporting.

GBA represents nearly 200 U.S. companies with a global heritage. Over 860 international companies employ 122,800<sup>1</sup> Employment at international companies in the state has increased by four percent over the past five years, while Maryland's overall private sector only increased by half a percent. Nationally, on average, these firms pay American workers \$89,000 annually in wages and benefits. See more [information](#) on the ways international companies support Maryland's economy.

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<sup>1</sup> Bureau of Economic Analysis (BEA), Survey of Current Business, Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2020, released August 2023.

One of the issues with any form of combined reporting, including water's edge combined reporting, is that it creates revenue volatility. There are no better sources for this conclusion than studies done by Maryland and Virginia. Maryland has thoroughly studied the impact of combined reporting in 2010 and 2016, concluding that it will create unpredictable revenue. In January 2016, the Maryland Economic Development and Business Climate Commission specifically recommended not to enact combined reporting listing;

- Revenue volatility;
- Creating winners and losers among corporate taxpayers;
- Potential for litigation; and
- Additional administrative costs for both taxpayers and the state and the uncertainty and negative message sent to the business community.

In 2021, Virginia also looked at combined reporting and came to a similar conclusion. Given the volatility and possibility that it could result in a revenue loss, the state should look to other sources for the solution to the budget shortfall.

Furthermore, concerning the argument often raised that combined reporting is necessary to close "loopholes," you should be aware that states concerned about such loopholes took one of two paths when this legislation was initially being considered decades ago. States either implemented water's edge combined reporting or enacted a related party addback rule that closes any loopholes for tax deductions for payments to affiliated companies in tax havens. In 2004, Maryland took action and enacted a related party addback rule (Maryland Tax General Section 10-306.1), closing any perceived loopholes.

Thus, GBA strongly urges you not to implement any form of combined reporting unless amended to mirror another state. However, the water's edge provision in HB 352 is not true water's edge reporting and the language proposed is not used in any other state. This is because the language comes from a template created decades ago, and all states that have implemented water's edge combined reporting have made significant changes to the original language. GBA suggests using the language from another state's enacted water's edge combined reporting law that has been through the legislative process and actual administration and enforcement.

One critical issue with the language in HB352 is that despite the fact that over twenty states have implemented combined reporting, **none** have required the inclusion of foreign entities solely based on receipt of U.S. source income. HB 352 in its current form, would unjustly include such entities creating an extraterritorial water's edge tax system that imposes unfair and inappropriate double taxation for international businesses located in Maryland.

The most concerning provision in HB 352 is section 10-402.1(E)(2)(VI), which asserts foreign unitary corporations that derive income from sources within the United States ("U.S. source income") would be required to be included in the Maryland water's edge combined group. Water's edge combined reporting in other states generally limits the unitary group to only U.S.

affiliates, with very specific limited exceptions, none of which involve a U.S. source income standard. This approach would have the following negative consequences:

**Damage Competitiveness:** Taxing U.S. source income would differ from the effectively connected income (ECI) standard utilized by the Internal Revenue Code and many states to tax non-U.S. companies.<sup>2</sup> If adopted, Maryland would be an outlier compared to other states and at odds with federal tax norms, which would generally not tax non-domestic income. This would lead to extraterritorial double taxation, because this income is already taxed by the country in which it is received. Maryland's efforts to attract and retain international companies in the state would be damaged.

**Create Disputes with Treaty Partners:** Bilateral tax treaties ensure Maryland employers do not face double taxation on U.S. source income. In the past, some foreign governments have even enacted retaliatory action in response to states seeking to adopt a tax structure without a true water's edge system.

**Increase Complexity:** As written, this bill would distort traditional norms of the water's edge methodology by including foreign affiliates with U.S. source income in a combined group. Every state with combined reporting has opted for a true water's edge methodology, which does not include all unitary foreign companies simply because they have U.S. source income. This approach creates significant complexity and compliance burdens for companies seeking to comply with the law and for those enforcing the law.

Lastly, as mentioned earlier, Maryland already addresses perceived abuses with a related party addback rule. The rule provides specific exceptions for legitimate business transactions, including companies' operations that may be located in treaty countries. The U.S. source income provision effectively overrides these addback rule exceptions by taxing legitimate transactions and overriding tax treaties to double tax international companies investing in Maryland.

To ensure Maryland remains an attractive destination for investment from global sources, we encourage amending combined reporting provisions in HB 352. If they are retained, GBA recommends amendments to address remaining concerns to create a true water's edge regime like all the other states. To craft legislation to address a water's edge, GBA suggests removing the U.S. source income section (10-402.1(E)(2)(VI)) in HB 352.

GBA looks forward to continued discussion and offers our assistance in drafting and crafting any new legislation. If you have questions, please contact me at [kjohnson@globalbusiness.org](mailto:kjohnson@globalbusiness.org).

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<sup>2</sup> To name a few states that use the ECI standard, see West Virginia § 11-24-13f(a)(4); District of Columbia §47-1810.07(a)(2)(D); and New York S.B. 6359, A.8559 (Chapter 59).

Sincerely,

A handwritten signature in black ink, appearing to read 'KJ', enclosed in a light gray rectangular box.

Kelsey Johnson  
Vice President, State Affairs  
Global Business Alliance



**GLOBAL  
BUSINESS  
ALLIANCE**

*Investing in America*

# Foreign Direct Investment Strengthens **MARYLAND'S ECONOMY**

## HIGH-QUALITY JOBS

**122,800** workers in Maryland are employed as a result of international investment.

## MANUFACTURING

**30,800** workers in Maryland - **25 percent** of all FDI jobs in the state - are in the **manufacturing sector**.

## GLOBALLY CONNECTED

Among all international employers, those from the **United Kingdom**, the **Netherlands** and **Canada** support the largest number of jobs in Maryland.

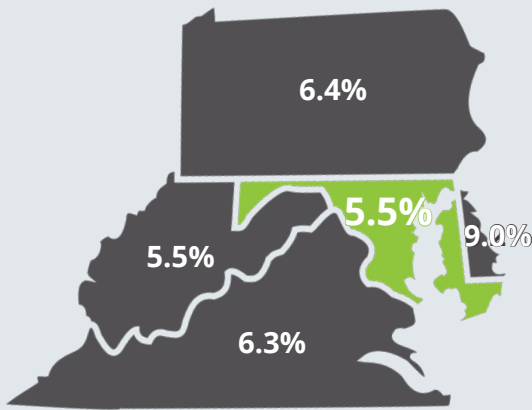
## MANY EMPLOYERS

**866 international employers** have operations in Maryland.

## INTERNATIONAL INVESTMENT CONTRIBUTES TO MARYLAND'S ECONOMY

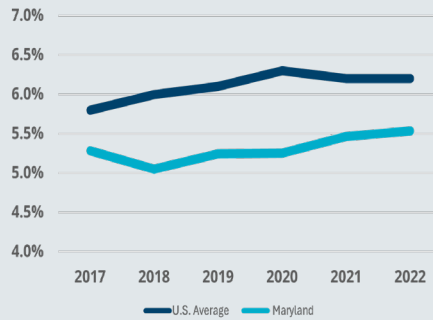
### Maryland vs. Its Neighbors

FDI Jobs as a % of Total Employment



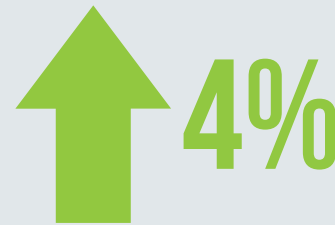
### Maryland vs. USA

FDI Jobs as a % of Total Employment



Maryland trails the national average in its portion of jobs supported by FDI.

### From 2017 to 2022, Maryland's FDI employment...



while the state's overall private-sector employment



## DISCOVER THE FULL LIST OF GBA MEMBERS

Nearly 200 international companies comprise GBA's membership, representing a slice of the U.S. economy that provides 8.4 million high-quality jobs that pay an average of seven percent higher compensation than the economy-wide average. Our members are some of the largest international employers in the country. Browse through our membership list using the QR code.





## **Combined Reporting Doesn't Make Sense For Maryland And Provides NO Guaranteed Revenue**

### **Maryland Has Had the Laws Enacted to Combat Perceived Loopholes Since 2004**

- States that had been concerned about abusive transactions between members of a corporate group chose either to enact water's edge combined reporting or a related party addback rule.
- In 2004, Maryland enacted a related party addback rule (Maryland Tax General Section 10-306.1) and a related party adjustment section rule (Maryland Tax General Section 10-109) closing any perceived loopholes.

### **Combined reporting creates revenue volatility**

- Maryland has thoroughly studied the impact of combined reporting twice concluding it is bad policy with unpredictable revenue.
  - In 2010 Maryland Business Tax Reform Commission recommended against implementing combined reporting because it “would lead to increased volatility in the corporate income tax.”
  - In January 2016, the Maryland Economic Development and Business Climate Commission similarly recommended not to enact combined reporting highlighting the revenue volatility, the winners and losers among corporate taxpayers, the potential for litigation, the additional administrative costs for both taxpayers and the State and the uncertainty and negative message sent to the business community.
- In 2021, Virginia looked at combined reporting by also requiring the actual filing of pro forma tax returns and came to a similar conclusion.
- Combined reporting will result in some companies paying more Maryland tax and some paying less, **BUT the overall revenue impact to Maryland is not only unpredictable but could even result in a revenue loss.** Thus, trying to fund some of Maryland's budget shortfall with a tax provision that results in volatile revenue or a potential revenue loss is not prudent.

### **Some Pitfalls of Combined Reporting**

- Combined Reporting creates complexity and uncertainty for taxpayers and Maryland which will demand additional computer and staffing resources from the State to address this new type of filing, contentious audits and potential litigation.

### **Water's Edge Combined Language**

- Of the 28 states that have adopted combined reporting, ALL have a true water's edge system which generally includes only U.S. companies in the combined group.
- Although there is no need for combined reporting because Maryland closed any perceived loopholes in 2004, the current combined reporting proposal in the Governor's budget would be a complete outlier because it does NOT create a true water's edge system.

**HB0352-APP\_MACo\_SWA.pdf**

Uploaded by: Kevin Kinnally

Position: FWA



## House Bill 352

### *Budget Reconciliation and Financing Act of 2025*

MACo Position: **SUPPORT**  
**WITH AMENDMENTS**

To: Appropriations and  
Ways and Means Committees

Date: February 27, 2025

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 352 **WITH AMENDMENTS**.

**The Budget Reconciliation and Financing Act (BRFA) of 2025 shifts more than a quarter of a billion dollars in new costs onto county governments.** These provisions place an unprecedented burden on counties, forcing impossible trade-offs between tax increases and service cuts.

**Make no mistake – this is a State-mandated property tax increase.** With two-thirds of Marylanders living in counties already at the maximum 3.2% local income tax rate, these cost shifts leave counties with no flexibility to absorb the burden. The only option is to raise property taxes – hitting renters who see costs passed down and homeowners already struggling with rising assessments. **Forcing counties into this position is not just fiscally reckless – it is regressive, unsustainable, and punitive.**

#### **TEACHER PENSION COST SHIFT – A FISCAL CRISIS FOR COUNTIES**

*Proposes shifting hundreds of millions of State teacher pension costs directly to counties beginning in fiscal 2026 and beyond.*

**MACo requests that the Committee reject this section of the BRFA.**

The BRFA proposes permanently shifting additional teacher pension costs onto counties, already imposing a significant financial strain. However, a recommendation from the Department of Legislative Services (DLS) would more than double the initial shift, bringing the total county burden to \$186 million. If accepted, this recommendation would force counties to absorb 100% of the State's unfunded teacher pension liability – an unprecedented move with severe fiscal consequences.

Counties already fully fund the employer share of teacher pensions, a cost transferred to local governments in 2012 after deep, complex negotiations. The BRFA seeks to offload the State's unfunded liabilities entirely onto counties despite counties having no control over teacher salaries, pension investment performance, or the broader policies driving these liabilities.

These unfunded liabilities stem largely from underperforming pension investments and salary-driven increases tied to the Blueprint for Maryland's Future — factors beyond county authority. Yet counties are expected to absorb these growing costs year after year, with no ability to mitigate or manage them.

DLS staff inserted this cost shift without justification or policy analysis — an unprecedented move with dire fiscal consequences. If enacted, this provision will devastate county budgets, forcing local governments to raise property taxes or slash funding for essential services like public safety, infrastructure, and climate resilience.

Adding insult to injury, the BRFA also proposes cutting supplemental retirement grants under Aid to Civil Divisions by 50% in fiscal 2026 and eliminating them in fiscal 2027 — breaking a promise from 2012 designed to soften the impact of the original pension shift. This cut represents a \$28 million loss statewide over two years, compounding the unsustainable fiscal burden on counties.

## **INCREASING COUNTY COSTS FOR SDAT – COMPROMISING OBJECTIVITY**

*Proposes shifting \$21 million in SDAT costs to counties, reducing State responsibility for core property assessment functions.*

*MACo requests that the Committee reject this proposal on policy grounds.*

The BRFA increases county reimbursements for the State Department of Assessments and Taxation (SDAT) from 50% to 90%, imposing an additional \$21 million burden on counties.

Counties rely on SDAT to provide fair and objective property assessments, ensuring accurate revenue collection. Increasing county responsibility for SDAT funding risks compromising this objectivity, placing assessment functions under the influence of local governments directly benefiting from property tax revenue. This undermines public confidence in fair and impartial assessments.

Additionally, the proposal forces counties to fund nearly all of SDAT's operations without managerial control over its budget or decision-making. The State would have no incentive to contain costs, knowing counties must cover them regardless.

In 2014, the Maryland General Assembly created the Maryland Assessment Work Group (AWG) to examine issues related to the assessment processes for real and personal property, tax credits, and exemptions. The AWG made several recommendations, including:

- Tasking SDAT with examining and improving its business processes to maximize efficiency related to its assessments and administration; and
- Suggesting the creation of an Advisory Council to address the fact that local governments are major business partners with SDAT, to include local government representatives and ensure progress on business process improvements within the Department.

The 2015 Joint Chairmen's Report provided:

*It is the intent of the committees to assure progress on the implementation of the 2014 Assessment Workgroup (AWG) recommendations by directing the State Department of Assessments and Taxation (SDAT) to establish a State and Local Advisory Council. ... The advisory council shall meet periodically to discuss issues of mutual interest, including but not limited to the assessment of real and personal property and tax credit programs and exemptions; guidance on the implementation of the AWG recommendations from the December 15, 2014, report; and, business process changes and the leveraging of new technologies to achieve greater operational efficiencies.*

Those recommendations remain unfulfilled. Without an advisory council to provide oversight and input, counties should not be forced to shoulder the majority of SDAT's operational costs.

### **SHIFTING COMMUNITY COLLEGE RETIREMENT COSTS TO COUNTIES – AN UNJUSTIFIED BURDEN**

*Proposes shifting \$5 million in new costs to counties for community college employee retirement.*

*MACo urges the Committee to reject this section of the BRFA and prevent an unwarranted and destabilizing precedent for future State cost shifts.*

The BRFA shifts \$5 million in new costs for community college employee retirement onto counties despite counties never being responsible for these costs.

Counties already provide significant operating and capital funding to Maryland's community colleges. This new unfunded mandate forces counties to absorb retirement costs they neither negotiated nor planned for, setting a concerning precedent for future cost shifts. If the State can unilaterally impose these expenses now, counties have no assurance that additional retirement costs won't follow in future budgets.

This cost shift lacks justification, transparency, or any demonstrated need, raising concerns that county governments will be expected to assume even more financial obligations than the State's responsibility. Counties cannot sustain an open-ended financial commitment without any control over the policies driving these expenses.

### **NONPUBLIC SPECIAL EDUCATION PLACEMENT COST SHIFT – COUNTIES WILL SHOULDER THE BURDEN**

*Proposes shifting \$25 million in new education costs onto counties through increased local school funding demands.*

*MACo requests that the Committee reject this section of the BRFA and prevent an unfair cost shift that increases county financial burdens at a time when local budgets are already stretched thin.*

The BRFA reduces the State's share of nonpublic special education placement costs from 70% to 60%, shifting \$25 million in new costs directly onto local school systems. While this shift technically affects school budgets, counties will ultimately bear the financial impact, as school systems routinely request additional county funding to cover rising expenses – especially for mandated services like special education.

Counties already contribute substantial funding to public education beyond Blueprint and Maintenance of Effort (MOE) requirements. The BRFA further pressures county budgets by increasing education costs without additional State resources, leaving counties with few options other than raising local taxes or cutting other essential services to fill the gap.

This strain is compounded by unexpected spikes in mandated school funding, far exceeding prior State estimates. For example, the fiscal 2026 funding requirement for Dorchester County is 15% higher than the last official State-issued estimate for that year. **Until this month, state and local fiscal leaders relied on outdated projections that significantly underestimated county obligations.** Those projections originally forecasted that Dorchester County would not reach its current funding level until fiscal 2030.

With many school systems still experiencing enrollment declines, the factors driving these sudden increases remain unclear, leaving local leaders unable to plan or budget accordingly. Counties across Maryland face the same unpredictability – mandated funding increases far exceeding prior estimates, with no explanation or opportunity to prepare. **The BRFA's additional cost shifts only compound the problem, forcing counties into impossible financial decisions without warning or resources to manage them.**

## **PHASING OUT ENTERPRISE ZONE TAX CREDITS – WEAKENING LOCAL ECONOMIC DEVELOPMENT**

*Proposes eliminating State funding for Enterprise Zone tax credits, shifting costs to counties, and jeopardizing economic growth.*

**MACo urges the Committee to reject this provision and preserve the State's commitment to local economic development.**

The BRFA phases out State funding for Enterprise Zone tax credits by June 30, 2025, eliminating a pivotal tool for economic development and shifting the entire financial burden onto counties.

Enterprise Zone tax credits are vital in attracting businesses and investment to economically distressed urban and rural areas across Maryland. These incentives drive job creation, improve quality of life, and expand local tax bases — benefiting not just counties but the state as a whole.

Eliminating the State's contribution would have a devastating statewide impact, jeopardizing economic development efforts in several counties. Baltimore City alone would face a \$100 million loss over the next ten years, severely weakening its ability to revitalize communities and attract businesses to areas that need it most.

Local governments share the State’s commitment to economic growth, and a strong partnership is essential to ensure long-term success. Removing State support for this program undermines that partnership and leaves counties struggling to sustain the investments that drive broader economic opportunity.

#### **LOCAL HEALTH DEPARTMENT FUNDING – COUNTIES NEED A PREDICTABLE FRAMEWORK**

*Fails to establish predictable funding for local health departments, leaving counties vulnerable to budget volatility.*

*MACo requests that the Committee amend this proposal to include a statutory cap on local match increases.*

The BRFA fails to address the unstable and unpredictable local match formula for local health departments (LHDs), leaving counties vulnerable to sudden cost spikes.

LHD funding is a shared State-County responsibility, but counties have faced sudden, dramatic increases in their required match contributions due to discretionary State salary adjustments rather than core public health needs.

The 2024 Joint Chairmen’s Report from the Maryland Department of Health and the Department of Budget and Management failed to clarify the formula, leaving counties with ongoing financial uncertainty.

Without a statutory cap, counties will continue to face last-minute budget shocks, recurring waiver requests, and unsustainable financial obligations. Establishing a 5% cap provides counties with the predictability to ensure stable funding for critical local health services.

#### **DIVERTING LOCAL PROGRAM OPEN SPACE FUNDING – UNDERMINING COMMUNITY RECREATION AND CONSERVATION**

*DLS recommends diverting Program Open Space (POS) funds intended for local governments, redirecting them to the General Fund and unrelated State expenses.*

*MACo requests the Committee reject this recommendation and safeguard needed funding for parks, recreation, and conservation efforts.*

The BRFA redirects local POS funds to the General Fund and unrelated State expenses, breaking Maryland’s commitment to local conservation and recreation projects. This shift threatens essential investments that drive economic growth, environmental resilience, and public access to outdoor spaces.

County governments have relied on POS funding for decades to develop and maintain parks, trails, and recreational areas that strengthen communities. By diverting these funds, the State undermines local investments, disrupts planned projects, and erodes public trust in Maryland’s conservation priorities. Instead of expanding recreational access and improving climate resilience, approving this recommendation would force counties to cancel or delay critical initiatives.

This proposal follows a troubling pattern of raiding transfer tax revenues to backfill State budget gaps – short-term fixes that create long-term harm. Maryland leaders cannot claim to prioritize environmental protection while simultaneously stripping local funding for open space preservation.

Local governments need stable, dedicated POS funding to fulfill public commitments and ensure equitable access to outdoor spaces.

## **RESTORE FORMULA-DRIVEN CUTS TO DISPARITY GRANTS AND ENSURE LONG-TERM STABILITY**

*The Disparity Grant, because of its statutory structure, routinely leads to jagged outcomes, reducing predictability for both the State and affected jurisdictions. A revision to add stability could avert this nearly annual policy conundrum.*

**MACo requests the Committee restore the \$12 million in formula-driven cuts to the Disparity Grant Program and enact a legislative solution to address ongoing volatility in the program.**

The Disparity Grant Program promotes fiscal equity by providing noncategorical State aid to less affluent counties with proven local income tax effort. The program ensures that counties relying heavily on local income tax revenue can generate sufficient funding for education, public safety, transportation, public health, and other essential services residents depend on daily.

State-imposed caps artificially suppress funding, even for counties that have exercised the maximum local income tax rate. Over the past five years, these caps have reduced Disparity Grant funding by approximately \$233 million, weakening the program’s ability to fulfill its intended purpose.

This year, volatility in the formula – driven largely by fluctuations in non-wage income – has triggered a \$12 million funding decline for fiscal 2025. These unpredictable shifts disproportionately affect less affluent counties, making it difficult to budget for essential services and sustain long-term fiscal stability.

Restoring these funds and implementing a more predictable, sustainable funding structure is critical to maintaining equitable State support for counties with fewer revenue-generating options.

## **CONCLUSION**

MACo and county leaders are prepared to work with state policymakers on all these issues, and other considerations, as part of a responsible balanced budget plan. MACo hopes that state leaders recognize that burdens on county budgets are substantial, and these challenges would only be worsened by added cost shifts or disproportionate budget cutbacks on county programs.

**02252025 COST Opposition to MUCR in HB 352.pdf**

Uploaded by: Leonore Heavey

Position: FWA



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**Leonore F. Heavey**  
*Senior Tax Counsel*  
(202) 484-5221  
[lheavey@cost.org](mailto:lheavey@cost.org)

February 25, 2025

**Via MyMGA**

Delegate Vanessa E. Atterbeary, Chair  
Delegate Jheanelle K. Wilkins, Vice-Chair  
Maryland General Assembly  
House Ways and Means Committee

Delegate Ben Barnes, Chair  
Delegate Mark S. Chang, Vice-Chair  
Maryland General Assembly  
House Appropriations Committee

**Re: Opposition to House Bill 352 -- Mandatory Unitary Combined Reporting Provisions**

Dear Chairs Atterbeary and Barnes, Vice-Chairs Wilkins and Chang, and Members of the House Ways and Means and House Appropriations Committees:

On behalf of the Council On State Taxation (COST), I respectfully submit this testimony in opposition to the provisions in House Bill 352 that would impose mandatory unitary combined reporting on Maryland's corporate taxpayers.

COST opposes the adoption of Mandatory Unitary Combined Reporting (MUCR) because the methodology has an unpredictable effect on state revenue, negatively impacts the economy, arbitrarily assigns income to a state, and imposes significant administrative burdens on both the taxpayer and the State. These conclusions are supported by the 2016 Maryland Economic Development and Business Climate Commission ("Augustine Commission"), the 2016 Indiana Legislative Services Agency Combined Reporting Study, and the 2021 Virginia Work Group.<sup>1</sup> The conclusions were validated by estimated revenue reports from actual informational unitary combined reporting filings for each state. The Augustine Commission, established at the request of the General Assembly's leadership, recommended that Maryland should avoid adopting MUCR because it would: (1) create revenue volatility, (2) pick winners and losers among taxpayers, and (3) lead to additional litigation and administrative costs. Virginia's Work Group, established by the Virginia General Assembly, concluded that "[a]t this point in time, Virginia should not proceed with further study into the implementation of unitary combined reporting in the Commonwealth[.]"<sup>2</sup> The Indiana Legislative Services

<sup>1</sup> In 2021, Virginia required corporations that are members of a "unitary business" to file informational unitary combined reporting filings, and the Division of Legislative Services and the Department of Taxation established a work group to study the administrative feasibility and the projected impact on Virginia's tax revenue of adopting mandatory unitary combined reporting. H.B. 1800 (Va. 2021); H.J.R. 563 (Va. 2021 Special Session 1). The 25-member work group was composed of state officials, tax administrators, business representatives and tax practitioners.

<sup>2</sup> Work Group to Assess the Feasibility of Transitioning to a Unitary Combined Reporting System for Corporate Income Tax Purposes, published November 1, 2021, p. 40. This recommendation was centered

Agency, as charged by the Legislative Council, conducted a study in 2016 finding that any potential positive revenue impact from adopting MUCR would be only short-term and would likely decline to zero in the long-term.<sup>3</sup>

### About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members have operations in Maryland that would be impacted by this legislation.

### COST's Position on Mandatory Unitary Combined Reporting

The COST Board of Directors has adopted a formal policy statement on MUCR.<sup>4</sup> COST's policy position is:

*Mandatory unitary combined reporting ("MUCR") is not a panacea for the problem of how to accurately determine multistate business income attributable to economic activity in a State. For business taxpayers, there is a significant risk that MUCR will arbitrarily attribute more income to a State than is justified by the level of a corporation's real economic activity in the State. A switch to MUCR may have significant and unintended impacts on both taxpayers and States. Further, MUCR is an unpredictable and burdensome tax system. COST opposes MUCR.*<sup>4</sup>

### Problems with Mandatory Unitary Combined Reporting

One of the more controversial business tax policy issues currently debated by state legislators, tax administrators, and business taxpayers is the breadth of a state's corporate income tax base. The first approach, "separate entity reporting," treats each corporation as a separate taxpayer. This is the method Maryland currently uses; it is also used by Maryland's regional competitor-states, including Delaware, North Carolina, Pennsylvania, and Virginia. The second approach, MUCR, treats affiliated corporations (parents and subsidiaries) engaged in a "unitary business" as a single group for purposes of determining taxable income.<sup>5</sup> Thus, in addition to bringing income from other members of the unitary business into a state, MUCR also allows losses

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on "the additional complexity of combined filing compared with Virginia's current system, the uneven impact the transition may have on certain taxpayers, and the potential damage to Virginia's business climate. Additionally, Work Group members argued that current provisions in Virginia law such as its add-back statute already address the common tax shifting strategies that combined reporting is intended to remedy." *Id.* at 4.  
<sup>3</sup> A Study of Practices Relating to and the Potential Impact of Combined Reporting, Office of Fiscal and Management Analysis, Indiana Legislative Services Agency, October 1, 2016.

<sup>4</sup> The COST policy position on MUCR can be found at <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/revised-mandatory-unitary-combined-reporting-with-consolidated-filing-election.pdf>.

<sup>5</sup> The concept of a "unitary business" is a constitutional requirement that limits the states' authority to determine the income of a multistate enterprise taxable in a state. Due to varying state definitions and case law decisions, the entities included in a unitary group are likely to vary significantly from state to state.

incurred by members of the unitary group to offset the income of other members of the group. MUCR has several drawbacks.

- **Uncertain Revenue** – Implementing MUCR would have an unpredictable effect on Maryland’s corporate income tax collections. The corporate income tax, because it is subject to economic volatility, is one of the most unstable taxes. The adoption of MUCR has the potential to make corporate collections even more volatile.
- **Regional Outlier** – Adopting MUCR would position Maryland as a regional outlier. Apart from the District of Columbia, none of Maryland’s neighboring competitor states currently utilize MUCR; *i.e.*, it is not used in Virginia, Pennsylvania, North Carolina, or Delaware.
- **Administrative Complexity** – MUCR is, by definition, complex, requiring extensive fact-finding to determine the composition of the “unitary group” and to calculate combined income. This complexity results in unnecessary and significant compliance costs for both taxpayers and the State.
  - *Determining the Unitary Group:* The concept of a “unitary business” is uniquely factual and universally poorly defined. It is a judicially constructed constitutional (Due Process) concept that looks at the totality of the business rather than individual separate entities or separate geographic locations. To evaluate the taxpayer’s determination of a unitary relationship, state auditors must look beyond accounting and tax return information. Auditors must annually determine at a detailed level how a taxpayer and its affiliates operate to determine which affiliates are unitary. This determination requires state auditors to obtain detailed operational information from the taxpayer and its unitary affiliates. Determining the scope of the unitary group is a complicated, subjective, and costly process that is not required in separate filing states. Additionally, expensive and time-consuming litigation often results because of the subjective nature of the determination of a unitary group
  - *Calculating Combined Income:* Calculating combined income is considerably more complicated than simply basing the calculations on consolidated federal taxable income. In most MUCR states, the group of corporations included in a federal consolidated return differs from the members of the unitary group. In addition, increased compliance costs result from not only complying with the variations in the state apportionment formulas but also from state specific statutory adjustments to the tax base. From a financial reporting perspective, adopting MUCR is a significant change that requires states to consider ways to mitigate the immediate and negative impact those tax changes have on a company’s financial reporting.<sup>6</sup> An alternative approach that avoids this complexity would be to authorize consolidated filing elections, with such

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<sup>6</sup> ASC 740 (formally FAS 109) requires a recordation of tax expense under certain circumstances that can negatively impact a company’s stock price and value. See Dr. Lauren Cooper and Joel Walters, “[Mitigating the Impact of State Tax Law Changes on Company Financial Statements](#),” State Tax Research Institute, June 2020.

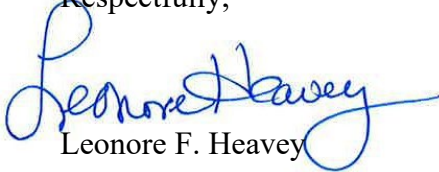
elections being binding for a term of years to avoid manipulation of the filing method. This is the approach recently adopted by Virginia.

- **Arbitrary** – Although proponents of MUCR argue that it helps to overcome distortions in the reporting of income among related companies in separate filing systems, the mechanics used under MUCR create new distortions in assigning income to the various states. The MUCR assumption that all corporations in an affiliated unitary group have the same level of profitability is not consistent with either economic theory or business experience. Consequently, MUCR may reduce the link between income tax liabilities and where the income is actually earned. The result is a significant risk that MUCR will arbitrarily attribute more or less income to a state than is justified by the level of a corporation’s real economic activity in the state.

### Conclusion

Transitioning from Maryland’s current methodology of determining business income attributable to the State to Mandatory Unitary Combined Reporting is an uncertain method for raising revenue because of the associated revenue volatility and potential negative impact on the State’s economy. MUCR would have an unpredictable (and possibly negative) effect on state revenue, impose significant administrative burdens on both the taxpayers and the State, and will not help Maryland attract new business investment or encourage the expansion of existing businesses. MUCR should not be adopted by Maryland, therefore COST urges the committees to amend House Bill 352 to remove the provisions implementing MUCR.

Respectfully,



Leonore F. Heavey

cc: COST Board of Directors  
Patrick J. Reynolds, COST President & Executive Director

**DOCS-#238957-v1-HB\_352\_BRFA\_League\_ACLI\_FWA\_Combin**

Uploaded by: Matthew Celentano

Position: FWA



February 27, 2025

The Honorable Chairs Ben Barnes & Vanessa Atterbeary  
House Appropriations & Ways and Means Committees  
House Office Building  
Annapolis, MD 21401

**RE:** House Bill 352 – Budget Reconciliation and Financing Act of 2025

**Favorable with Amendments**

Dear Chairs Barnes and Atterbeary:

We are writing on behalf of the American Council of Life Insurers (“ACLI”) and the League of Life and Health Insurers of Maryland (“League”). ACLI and the League’s member companies together provide over 95% of the life, disability, long term care insurance and annuities in Maryland and nationally. We ask for your opposition to unitary/ combined reporting, or in the alternative, we ask for an exemption for insurance companies from unitary/ combined reporting.

The enactment of unitary/ combined reporting will subject insurers to income tax in addition to premium taxes, which they currently pay.

Insurers should be excluded because they are currently taxed under a completely different system than non-insurers. Insurers are taxed on gross premiums received rather than net income. Premium taxes are paid whether the business is profitable or not. Premium taxes are also paid by both Maryland domestic and foreign (domiciled in a state other than Maryland) insurers. Because of the heavy burden posed by the upfront premium tax, insurers are exempt from corporate income tax.

The benefits to the state of Maryland of the current state insurance company premium tax system are:

1. Stable source of revenue
2. Predictable source of revenue
3. Administrative ease and legal certainty
4. Credit certainty

Life insurers paid approximately \$111,000,000 in premium taxes in 2015. Obviously, health insurers and property casualty insurers paid millions of additional dollars in 2015. If life insurers had paid taxes based upon the regular business tax, they would have paid \$75 million in 2015 or \$36 million less than what was paid through premium taxes.

Any attempt to combine income tax with a premium tax system presents numerous problems. Probably the most critical of these problems is the impact on the national retaliatory tax system which is unique to the insurance industry. That system exists because the federal McCarran-Ferguson Act, 15 U.S.C. Sec.

The Honorable Ben Barnes and Vanessa Atterbeary

February 27, 2025

Page 2

1011 et seq. excludes the business of insurance from Commerce Clause applicability. Moreover, insurers have a different accounting system (statutory vs. GAAP) than non-insurers.

The forced combination of insurance companies with affiliated non-insurance companies would, for both the insurance industry and the state raise critical tax policy concerns, add tax burdens and uncertainties, create myriad administrative and substantive issues, and almost certainly lead to litigation.

For these reasons ACLI and the League respectfully request an favorable with amendments report on the provisions concerning unitary combined reporting or that insurers be expressly excluded from the application of combined/ unitary reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew Celentano", with a long horizontal line extending to the right.

Matthew Celentano  
American Council of Life Insurers  
The League of Life and Health Insurers of Maryland

cc: Members, House Appropriations & Ways and Means Committee

# **HB352\_Wash Co Chamber.pdf**

Uploaded by: Paul Frey

Position: FWA



1 South Potomac St.  
Hagerstown, MD 21740  
301-739-2015  
WASHINGTON COUNTY, MD  
**HAGERSTOWN.ORG**

House Bill 352  
Thursday, February 27, 2025  
Committee: House Appropriations & Ways and Means Committees  
**Position: Favorable with Amendments**

Dear Chairs Barnes and Atterbeary and Members of the Committees,

I am writing on behalf of the Washington County Chamber of Commerce, with 675 member organizations representing over 40,000 employees, to **Support with Amendments HB 352**. Some of the proposals contained within HB 352, like lowering the corporate income tax rate, are necessary to remain competitive with our regional neighbors, especially in Western Maryland. I do want to express significant concerns regarding other proposals contained in the legislation, measures that could adversely affect the private sector. HB 352's inclusion of combined reporting, increasing personal income taxes impacting pass-through entities, and the elimination of the Enterprise Zone Tax Credit are three issues with which we are the most concerned.

### **Combined Reporting Requirement**

HB 352 mandates combined reporting, a tax scheme that neither of our regional economic competitors, Pennsylvania, West Virginia, and Virginia, mandate. Further, combined reporting would result in substantial and complex administrative burdens for businesses operating across state lines, a common practice for many of our regionally located businesses. Combined reporting places Maryland companies at a competitive disadvantage, deterring business investment and expansion within the state. Finally, the Comptroller was given add-back authority in 2004, which provides the exact remedy to the problem combined reporting alleges to solve.

### **Increased Personal Income Taxes Negatively Impact Maryland's Small Businesses**

HB 352 proposes higher personal income tax rates for individuals earning over \$500,000, with rates increasing to 6.25% and 6.5% for those earning over \$1 million. This change directly impacts pass-through entities, such as S-corporations, partnerships, and LLC's. Their business income is taxed at the individual level. The increased tax burden on these entities will hinder their growth, reduce reinvestment, and encourage them to consider moving out of Maryland.

### **Elimination of the Enterprise Zone Tax Credit**

HB 352 intends to repeal the Enterprise Zone Tax Credit, a program established to stimulate economic growth in economically distressed areas, including Hagerstown, by offering tax incentives to businesses. This program has been instrumental in attracting businesses and



creating jobs in our county. Eliminating this credit will lead to reduced investment and business expansion in Hagerstown, adversely affecting local economies and reducing employment opportunities.

While the objectives of HB 352 are to address Maryland's fiscal challenges, the potential negative impacts on Maryland's business community are considerable. Again, on behalf of the Washington County Chamber of Commerce, I urge you and the members of Maryland's General Assembly to carefully evaluate the implications of this legislation and advocate for policies that support a thriving business environment in Washington County, and in our state.

Sincerely,



Paul Frey, IOM

President and CEO



**AFT--BRFA--FWA.pdf**

Uploaded by: Todd Reynolds

Position: FWA



Kenya Campbell  
PRESIDENT

LaBrina Hopkins  
SECRETARY-TREASURER

**Written Testimony Submitted to the  
Maryland House Appropriations Committee  
HB 352: Budget Reconciliation and Financing Act of 2025  
February 27, 2025  
Favorable with Amendments**

Good afternoon Chair Barnes, Vice Chair Chang, and members of the House Appropriations Committee. AFT-Maryland is the state federation of numerous public education and public sector unions throughout our state at the municipal, county, and state level. These include the Baltimore Teachers Union, the City Union of Baltimore, Baltimore County Federation of Public Employees, three individual state employee unions that bargain directly with the Moore-Miller administration, and eight community colleges in the state, including Baltimore City Community College. On behalf of these unions, AFT-Maryland calls this committee to issue a favorable with amendments recommendation to the Budget Reconciliation and Financing Act of 2025.

AFT-Maryland commends the More-Miller administration for seeing that in order to make sure the state meets its basic obligations to provide vital services for residents, corporate tax loopholes must be closed and Maryland must re-think its tax policy. We must point out that the state is in the financial situation it is in today in part because this tax code and these corporate tax loopholes that have existed for decades have not grown the economy like many had hoped. Maryland cannot hope to continue to rely on these loopholes that many out-of-state corporations exploit if it wishes to grow our economy.

We must respectfully oppose the proposed cuts found in the BRFA to Baltimore City Community College, and ask that those cuts be amended out. These proposed cuts are absolutely devastating to BCCC, and no other community college in this state is seeing these levels of cuts for now 2 years in a row, despite an increase in enrollment. Last year, the proposed budget and the Budget Reconciliation and Financing Act proposed a cut of over 5% in state aid to the college; this year, the proposal calls for an additional cut of over 7% of state support.

These reductions will have a devastating impact on the college, and will hurt the ability of thousands of disadvantaged students to realize their dream of attending college and working towards their degree. Again we call for a favorable-with-amendments report to HB 352. Thank you.

**HB352\_SWASC\_FWA.pdf**

Uploaded by: UM SWASC

Position: FWA

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## TESTIMONY IN SUPPORT WITH AMENDMENTS OF HOUSE BILL 352

**Budget Reconciliation and Financing Act of 2025**  
*Appropriations and Ways and Means Committees*  
February 27, 2025

Social Work Advocates for Social Change supports HB 352 and urges the Committee to fully pass Governor Moore's proposed revenue package, as introduced in HB 352. The Administration's proposal raises much-needed revenue to fund essential services, reduces taxes for working families, and helps ensure the wealthiest individuals and large corporations contribute a fair share. Maryland families and communities cannot afford the additional \$1 billion in cuts in services that would be required if the legislature does not adopt this proposal.

**HB 352 provides an essential foundation for our state's budget for the next year and into the future, and we urge the Committee to adopt it.** However, this is just a starting point. Adopting the Fair Share for Maryland Act (HB 1014/SB 859) would prevent some of the other proposed cuts to public services and provide the state with resources that shield Maryland from the harm of proposed federal budget cuts.

**Raising significant new revenue is the right choice to support Maryland families and strengthen our communities.** Both Governor Moore's proposals and the Fair Share for Maryland Act will help create a more just and equitable tax system, ensuring that the wealthy corporations and individuals who are getting breaks under our current system are paying a fair share in taxes. We can't grow our economy if we cut back on higher education, public schools, child care, transit, health care, support for people with disabilities, and other services. **At this tumultuous time, Maryland must protect essential public services by ensuring that the largest corporations and richest Marylanders pay a fair share.**

**Maryland must close tax loopholes that allow corporate profits to grow, while the state fills the gaps** for workers who are paid too little and lack employer-provided healthcare, thus forcing the state to consider cuts to fundamental services when it comes time to balance its budget.<sup>1,2</sup> Multinational corporations in Maryland shrink the apportionment amounts owed to the state and shift away profits that could be taxed for the state's benefit. Large corporations can shield profits in offshore accounts and pay less in taxes.<sup>3</sup> This is unfair not only to Maryland individuals and families but also to small businesses, which do

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<sup>1</sup> Center on Budget and Policy Priorities. (2018, June 13). *Corporate tax cut benefits wealthiest, loses needed revenue, and encourages tax avoidance.*

<https://www.cbpp.org/research/federal-tax/corporate-tax-cut-benefits-wealthiest-loses-needed-revenue-and-encourages-tax>

<sup>2</sup> Searing, A. (2024, November 27). *Federal funding cuts to Medicaid may trigger automatic loss of health coverage for millions of residents of certain states.* Georgetown University Center for Children and Families.

<https://ccf.georgetown.edu/2024/11/27/federal-funding-cuts-to-medicaid-may-trigger-automatic-loss-of-health-coverage-for-millions-of-residents-of-certain-states/>

<sup>3</sup> Griswold, D. (2024, February 22a.). *Worldwide combined reporting would end corporate tax avoidance in states.* Center on Budget and Policy Priorities.

<https://www.cbpp.org/research/state-budget-and-tax/worldwide-combined-reporting-would-end-corporate-tax-avoidance-in>

not have the resources to exploit these loopholes. The world's largest multinational corporations continue to reap the benefits of our state's vibrant workforce, and Marylanders are left subsidizing corporate profits. **The solution is Worldwide Combined Reporting.**

**Maryland needs additional upper-income tax brackets to balance our upside-down tax system.** According to the Chamber of Commerce, Maryland is the 7th wealthiest state in the country with more millionaire households per capita than any other state.<sup>4</sup> Currently, the wealthiest Marylanders pay a smaller share of their income in state taxes than those in any other income group. Maryland's overburdened families – the poorest 20 percent taxed most disproportionately to their income – are almost twice as likely to be African American,<sup>5</sup> which demonstrates that the state's tax policy is highly discriminatory across both class and racial lines. **Maryland needs added income tax brackets above \$250,000 for individuals and \$300,000 for joint filers to ensure millionaires pay their fair share, and to address racial and economic disparities.**

**It is critical to protect higher education at a time when federal attacks and cuts jeopardize the health and well-being of Marylanders.** Among the proposed budget cuts to many important programs is a reduction in funding for higher education, which directly impacts students like us across the state. The proposed 5% reduction to the FY 2026 appropriation to the University System will raise tuition and increase student debt, which DLS currently estimates to be roughly \$80,000 for a social work graduate. Specially trained professionals such as the ones educated at the University of Maryland Baltimore provide critical services in dentistry, law, medicine, nursing, pharmacy and social work. As social work students, we provide over 350,000 hours of *free* services to the state annually, serving some of our most vulnerable neighbors. The suggested tuition increase (2-5% and 5-7% for in-state and out-of-state students, respectively) would be a significant extra expense to an education that should by all counts be subsidized for the value it brings to the state.

We cannot grow our economy if we cut back on essential services that uplift Maryland workers of today and tomorrow alongside our most vulnerable neighbors. Maryland's students, workers, and small businesses make these services possible. **The wealthy and largest corporations that earn profits in our state should contribute a fair share to our infrastructure, just as its workers and small business owners have done and will do.**

**Social Work Advocates for Social Change urges a favorable with amendments report on HB 352.**

*Social Work Advocates for Social Change is a coalition of MSW students at the University of Maryland School of Social Work that seeks to promote equity and justice through public policy, and to engage the communities impacted by public policy in the policymaking process.*

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<sup>4</sup> Chamber of Commerce. How rich is each US State? <https://www.chamberofcommerce.org/how-rich-is-each-us-state/>

<sup>5</sup> Maryland Center on Economic Policy.(Mar 25, 2015). Maryland's poor taxed more than rich; communities of color feel biggest pinch. <http://www.mdeconomy.org/marylands-poor-taxed-more-than-wealthy-communities-of-color-feel-biggest-pinch/>

**Brannigan testimony SB 301 HB 352 .pdf**

Uploaded by: Vincent Brannigan

Position: FWA

HB 352 /SB321 2025 Session

Citizen Testimony Vincent M Brannigan

District 16

4309 Rosedale Ave

Bethesda Md 20814

[firelaw@firelaw.us](mailto:firelaw@firelaw.us)

240 988 1746 (cell)

To the committees Request for amendment HB 352 /SB321

I am an Emeritus professor from the University of Maryland College Park. My wife Ruth was a VA physician.

I am opposed to one provision in the proposed bill, the elimination of the deduction for extraordinary medical expenses. In my case my wife Dr Ruth Dayhoff has end stage Alzheimer's and is in a facility in Kensington. Our medical expenses exceed \$160,000 a year. The tax bill would increase our taxes by about \$12,000 a year. Other families with chronic diseases would have similar tax increases.

Medical care is unique. It is not voluntary nor does it improve lifestyle. It simply keeps my wife alive. It's not the same as deducting interest on a larger or second home or a boat. Even the Republicans in Congress did not eliminate the medical deduction.

There is a second issue unique to medical care. I have already been contacted by people facing this tax bill for advice on shifting their loved ones to MEDICAID. For those paying for indigent parents this is relatively easy. So there may be no revenue at all since what you gain in taxes goes out in Medicaid. I was astonished that the Comptrollers office did not examine this issue in their report. I contacted them and suggested they investigate it. I hope they have. I note that because my spouse is the patient and our income comes from pensions 'Social Security and savings the option is not open to us but I assure you it is open to others.

I conclude by saying that elimination of the medical deduction is cruel, unfair and in the end may be counterproductive.

# **HB352\_BRFA\_Opposition to Combined Reporting\_MHLA.p**

Uploaded by: Amy Rohrer

Position: UNF

**MHILA**  
Maryland Hotel  
Lodging Association

HB 352

Budget Reconciliation & Financing Act of 2025  
*Appropriations and Ways and Means Committees – February 27, 2025*

**Statement in Opposition to “Combined Reporting”**

The Maryland Hotel Lodging Association is opposed to the “combined reporting” taxation methodology as contained in 10–402.1 and 10–811 of the BRFA (pages 119-126) which would establish or alter various elements of Maryland’s income tax code and have a direct and far-reaching impact on businesses throughout the state. Combined reporting is not only complex and tedious but is also littered with flawed premises and lacks equity and fairness in taxation principles.

From a “macro” perspective, combined reporting presents multiple concerns for consideration:

- *A combined reporting tax regime is unpredictable, complex to administer, and a potential deterrent to growth.*
- *Tax liability resulting from combined reporting can be unpredictable from one year to the next, making financial forecasting more difficult for multistate companies.*
- *While a company’s income from operations in Maryland could be relatively steady from year to year, their Maryland income tax liability could vary dramatically under combined reporting depending on the performance of units in other states with variable travel markets and levels of profitability.*

From a “micro” perspective, combined reporting would present the following real concerns for hotel operators, both individual and multi-unit, throughout the state:

- *Hotels, like most other small businesses, derive their success or failure based on the individual performance of each unit within its portfolio regardless of the size or scope of the portfolio. Performance, good or bad, from one entity in a portfolio to another should be considered independently.*
  - *As an example, if an owner or ownership group or parts thereof operate a hotel in North Carolina and a hotel in Maryland, the economic performance of each hotel should be mutually exclusive from one another as the operation of one does not derive from the operation of the other.*

**MHILA**  
Maryland Hotel  
Lodging Association

*Nor should the profit/loss incurred in one state be reflected in another, it should be reflected where the true economic activity/transaction occurred.*

- *A combined reporting regime adds administrative complexity when making the fact-specific determination of what constitutes a unitary group each year, and when calculating combined income separately instead of relying on federal combined income. This means additional time spent by companies preparing returns, and new responsibilities for auditors now tasked with examining the operations of a multistate taxpayer and its affiliates – instead of just accounting information and tax returns.*
  - *The increase in these expenses will further erode our membership’s already dwindling profit margin and continue to deter business growth in Maryland.*

While it is often said that combined reporting “closes loopholes,” that is not the case - it is simply a different tax calculation system. As written, this proposed transition to combined reporting will hurt Maryland-based companies just as much as companies based elsewhere.

We strongly urge the committee to **reject “combined reporting” language** currently contained in the BRFA as a taxation methodology to be utilized in Maryland.

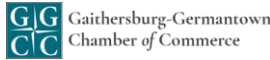
Respectfully submitted,

Amy W. Rohrer, CAE  
Maryland Hotel Lodging Association

# **Combined Montgomery Chambers BRFA Letter - House.p**

Uploaded by: Brian Levine

Position: UNF



**House Bill 352 -- *Budget Reconciliation and Financing Act of 2025***  
**House Appropriations and House Ways & Means Committee**  
**February 27, 2025**  
**Oppose**

On behalf of the Gaithersburg-Germantown Chamber of Commerce, Greater Bethesda Chamber of Commerce, Greater Rockville Chamber of Commerce, Greater Silver Spring Chamber of Commerce, and Montgomery County Chamber of Commerce, we oppose House Bill 352 -- *Budget Reconciliation and Financing Act of 2025*.

Montgomery County's chambers recognize the challenging decisions our budget leaders face this year. We also appreciate Governor Wes Moore's focus on addressing Maryland's stagnating economic growth. As business leaders in Maryland's largest jurisdiction and a critical economic engine for the State, we share a vision of growing Maryland's economy, creating jobs, and fostering a thriving business community.

However, we are deeply concerned about several revenue increase measures proposed in House Bill 352, including a surcharge on capital gains and the elimination of itemized deductions. While these are significant issues, we are even more concerned about the implementation of combined reporting and the creation of two higher income tax brackets. These proposals, if enacted, will disproportionately harm Montgomery County, which has already experienced the migration of some of its taxpayers in recent years. Simply put, these tax increases will create a nonpermissive environment for businesses in Montgomery County and across the State.

**Implementing Combined Reporting is Bad Policy**

Combined reporting has long been opposed by the business community. It is not a "loophole" and remains one of the few competitive economic advantages for Maryland. What is frustrating for the business community is that the combined reporting has been formally rejected multiple times. In fact, combined reporting has been rejected by not one, but two separate bipartisan tax working groups in recent years.

In 2010, the Maryland Business Tax Reform Commission (MBTRC), which was created to evaluate the State's business tax structure, was explicitly directed to review whether to implement combined reporting. In its recommendation, MBTRC recommended against combined reporting in Maryland. The Commission's final report outlined several reasons for rejecting combined reporting, including:

- **Complexity** – combined reporting is a complex change for taxpayers, tax preparers, and the Comptroller's Office.
- **Shift of Tax Burden** – combined reporting shifts the tax burden, substantially in some cases, among industries and among taxpayers, resulting in winners and losers.
- **Unnecessary** – many of the tax avoidance measures which combined reporting is intended to prevent have already been addressed by the State through the Delaware holding company add back, the captive real estate investment trust (REIT) legislation, and other measures.

- **Increased Volatility** – a Comptroller’s study of corporate returns indicated that combined reporting would lead to increased volatility in corporate income tax revenues, already one of the State’s most volatile revenue sources.

In 2015, the Maryland Economic Development and Business Climate Commission, also known as the Augustine Commission, issued a report advising against the adoption of combined reporting. The report highlighted that combined reporting “...can create revenue volatility and winners and losers among corporate taxpayers.” It further noted that, “Combined reporting can also lead to additional litigation from taxpayers and create additional administrative costs for both taxpayers and the state.”

### **Higher Income Taxes Hurt Small Businesses**

This bill also proposes creating a 6.25% tax bracket for those earning at least \$500,000, and a 6.5% tax bracket for those earning more than \$1 million. While intended to capture more taxes from higher-earning Marylanders, it will also impact small businesses. Virtually every small business entity in Maryland is registered as a limited liability company, sole proprietorship, or S corporation. These entities are taxed using the income tax rate as pass-through entities. Enacting higher income tax rates will disproportionately harm small businesses by increasing their tax burden, reducing their competitiveness due to higher costs, and directly threatening local jobs and growth.

As a united group of business organizations, we appreciate the opportunity to weigh in on these proposals and urge the Maryland General Assembly to reject combined reporting and higher income tax brackets. Focusing on inclusive economic development and creating a more competitive business climate is essential for balancing Maryland’s budget through economic growth.

Angela Franco  
President & CEO  
Montgomery County Chamber of Commerce

Marji Graf  
President & CEO  
Greater Rockville Chamber of Commerce

Stephanie Hesling  
President & CEO  
Greater Silver Spring Chamber of Commerce

Paula Ross  
President & CEO  
Gaithersburg-Germantown Chamber of Commerce

Allie Williams  
President & CEO  
Greater Bethesda Chamber of Commerce

# **HB352 - MD Register of Wills Association - Opposit**

Uploaded by: Byron Macfarlane

Position: UNF



**BYRON E. MACFARLANE**  
**REGISTER OF WILLS FOR HOWARD COUNTY**  
9250 JUDICIAL WAY, SUITE 1100  
ELLCOTT CITY, MARYLAND 21043  
410.313.2133 - bmacfarlane@registers.maryland.gov

February 27, 2025

Hon. Ben Barnes, Chair  
Appropriations Committee  
120 Taylor House Office Building  
Annapolis, Maryland 21401

Hon. Vanessa E. Atterbeary, Chair  
Ways and Means Committee  
130 Taylor House Office Building  
Annapolis, Maryland 21401

**Re: HB352 – Budget Reconciliation and Financing Act of 2025  
Opposition to Repeal of Inheritance Tax**

Dear Chairs Barnes and Atterbeary,

My name is Byron Macfarlane, I am the Register of Wills for Howard County and chair the Maryland Register of Wills Association’s Legislative Committee. On behalf of our Association, I write to express our opposition to the proposed repeal of Maryland’s inheritance tax.

Maryland’s inheritance tax was first enacted 180 years ago in 1845. It is assessed and collected by the Registers of Wills and serves as our primary funding source. The revenue we collect above what is required for our operations is transferred monthly to the Comptroller and then to the General Fund. In FY2024 our total inheritance tax revenue was \$93.4 million and \$64 million of that was deposited into the General Fund. A repeal of the inheritance tax would erase that General Fund revenue and defund the Registers of Wills, leaving the state with a \$29.4 funding million shortfall to resolve. We, therefore, must oppose the repeal of this tax, and wish to share the following to further explain:

- 1. Most Marylanders are exempt from the inheritance tax.**
  - Spouses, children, grandchildren, stepchildren, parents, siblings, and registered domestic partners don't pay this tax.
  - Only nieces, nephews, cousins, or people unrelated to a decedent pay this tax.
  - Inheritances of life insurance and any assets up to \$1,000 are also exempt.
- 2. A repeal will primarily benefit distant relatives who live out-of-state.**
  - 51% of inheritance taxes come from out-of-state heirs, including some out-of-country.
  - In the past 10 years, inheritance tax has been collected from residents from all 49 other states, the District of Columbia, overseas U.S. territories, and 91 foreign nations.
- 3. Very few people are subject to this tax.**
  - a. In FY24, fewer than 5,500 people were subject to this tax.
  - b. Because most heirs are out-of-state, that means fewer than 1 in 2,200 Marylanders are subject to this tax.
- 4. Few heirs express dissatisfaction with paying this tax.**
  - Because spouses and all close relatives are exempt, most of the distant relatives or non-relatives who inherit and are subject to tax do not expect any inheritance.
  - The 10% tax rate does not present itself as overly burdensome or unfair.
  - The tax is also usually paid by the decedent's estate, not the beneficiary.
- 5. The inheritance tax is a reliable, predictable, and growing source of revenue.**
  - Inheritance tax revenue generally fluctuates only 5-15% per year.
  - Thus far in FY25, our revenue is up nearly 14% from the same point last year, which will translate into approximately \$13 million in new revenue to the General Fund.
- 6. No one leaves Maryland over the inheritance tax.**
  - While we are aware of general discontent with Maryland's distinction as the only state with both an inheritance and an estate tax, this is largely an academic debate, not a practical one.
  - We have never seen evidence of any Marylander relocating out of state solely because of the inheritance tax.
- 7. We have no idea how alternate funding would impact day-to-day operations of these 24 state agencies.**
  - While we also understand there is a commitment to appropriate needed funds to the Registers for our continued operations, we do not currently know how this fundamental upending of a tried and true, highly efficient system of self-funding through inheritance tax revenue would play out in real time.
  - From personnel matters to procurement to general day-to-day fiscal operations, with these changes set to go into effect in just a few months' time, we would be truly sailing into the unknown with no plan in place to keep us up and running.

The Registers understand there is interest in our state to reform our end-of-life or “death” taxes and we appreciate having a dialogue over the past weeks with members of the Administration and the General Assembly on this subject. However, we feel it would be premature to repeal the inheritance tax without further study on the effects of unraveling a funding mechanism for 24 state agencies that has existed for nearly two centuries, and the effects of the proposal to lower the estate tax exemption from \$5 million to \$2 million, with no indexing to inflation.

For these many reasons and in this challenging environment, let’s not hastily discard a palatable, reliable, and growing source of needed revenue. And going forward, if our partners in government in the private sector wish to continue a dialogue around reform to our state’s end-of-life taxes, the Registers are ready, willing, and able to contribute to that effort.

**We urge the General Assembly to amend HB352 to remove the provisions related to the repeal of the inheritance tax.<sup>1</sup>**

Thank you for your time and careful consideration.

Sincerely,

A handwritten signature in blue ink, reading "Bryan E. Maffett". The signature is written in a cursive style with a long horizontal flourish at the end.

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<sup>1</sup> Page 128, lines 29-32; page 131, lines 32-33; page 132, lines 1-5.

**MD Catholic Conference\_HB 352\_UNF.pdf**

Uploaded by: Jenny Kraska

Position: UNF



**MARYLAND  
CATHOLIC  
CONFERENCE**

**February 27, 2025**

**HB 352**

**Budget Reconciliation and Financing Act of 2024**

**(Eliminating Maryland Itemized Deductions; Section 10-217-220 starting on page 114, line 17)**

**House Appropriations Committee & House Ways & Means Committee**

**Position: UNFAVORABLE**

The Maryland Catholic Conference offers this testimony in OPPOSITION to the increase of the standard deduction and the elimination of itemized deductions proposed in the Budget Reconciliation and Financing Act, House Bill 352. The Catholic Conference is the public policy representative of the three (arch)dioceses serving Maryland, which together encompass over one million Marylanders. Statewide, their parishes, schools, hospitals and numerous charities combine to form our state's second largest social service provider network, behind only our state government.

The MCC is deeply concerned about the unintended consequences this change will have on charitable giving and the many organizations that serve our communities. Charitable giving is not merely a financial transaction, it is an expression of our shared moral responsibility to care for the poor, the vulnerable, and those in need. Catholic social teaching calls us to solidarity and the preferential option for the poor, recognizing that human dignity is upheld when we work together to support those who are struggling. Faith-based and non-profit organizations play a vital role in meeting the needs of our communities, offering food, shelter, education, and support to countless individuals and families.

Research from the Tax Policy Center<sup>1</sup> has shown that when a similar policy was enacted at the federal level, charitable giving declined significantly. By eliminating itemized deductions, this proposal would disincentivize charitable donations, reducing the resources available to faith-based ministries, homeless shelters, food pantries, and other essential services that many rely upon. At a time when economic hardship persists for many, we should be encouraging greater generosity, not making it more difficult for people to give.

Catholic teaching affirms the principle of subsidiarity, which holds that needs should be met at the most local level possible. Charitable organizations and religious institutions are often best positioned to provide direct assistance efficiently and compassionately. However, their ability

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<sup>1</sup> [How did the TCJA affect incentives for charitable giving? | Tax Policy Center](#)

to do so depends on the generosity of donors who, under the current system, can choose to claim their contributions as itemized deductions. Removing this incentive will weaken the financial foundation of these organizations and ultimately shift the burden to government programs, which are already strained.

While the intention of increasing the standard deduction may be to provide financial relief, it should not come at the expense of charitable giving and the ability of civil society to care for those in need. I urge you to consider policies that encourage generosity and maintain the incentive for charitable contributions, ensuring that faith-based and non-profit organizations can continue their critical work.

The MCC urges this committee to reject the proposal to increase the standard deduction and eliminate itemized deductions in HB 352.

**v2\_MD HB 352\_BRFA\_delivery fee\_TechNet .pdf**

Uploaded by: margaret durkin

Position: UNF



**TECHNET**  
THE VOICE OF THE  
INNOVATION ECONOMY

TechNet Mid-Atlantic | Telephone 717.585.8622  
www.technet.org | @TechNetMidAtla1

February 25, 2025

The Honorable Ben Barnes  
Chair  
House Appropriations Committee  
Maryland House of Delegates  
121 Taylor House Office Building  
6 Bladen Street, Annapolis, MD 21401

The Honorable Vanessa Atterbeary  
Chair  
House Ways and Means Committee  
Maryland House of Delegates  
131 Taylor Office Building  
6 Bladen Street, Annapolis, MD 21401

*RE: HB 352 (Jones/Administration) - Budget Reconciliation and Financing Act of 2025 - Unfavorable*

Dear Chair Barnes, Chair Atterbeary, and Members of the Committee,

On behalf of TechNet, I'm writing to share concerns on the proposed delivery impact fee and recommend its removal from the Budget Reconciliation and Financing Act of 2025.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over 4.5 million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance. TechNet has offices in Austin, Boston, Chicago, Denver, Harrisburg, Olympia, Sacramento, Silicon Valley, Tallahassee, and Washington, D.C.

TechNet supports tax policies that promote innovation and foster an economic climate that enables companies to compete, thrive, invest, and expand in the United States and around the globe. TechNet works to ensure that tax structures create a level-playing field for all product and service providers, both technology players as well as others, and do not disadvantage a specific subsector, such as businesses that deliver goods to customers. Unfortunately, the proposed retail delivery fee in HB 352 is concerning for our industries and TechNet is opposed to this proposal.

The proposed 75 cent delivery impact fee – the highest in the nation – will hurt consumers and businesses alike. Delivery is not a luxury; it is a necessity. Individuals and families who do not have access to personal vehicles rely on delivery to access everyday essentials. This proposal will drive up prices in an

economy that's already contending with high costs, and low-income consumers will be hit especially hard as this fee will function as a regressive sales tax.

Beyond burdening consumers, the bill would impose costly new business obligations on an unrealistic timeframe. The default effective date is June 1, 2025, but to build out new systems necessary to administering and collecting this new fee, businesses would need at least until July 1, 2026. We are also concerned about the built-in annual increase tied to the Consumer Price Index. Businesses need certainty to operate effectively, and the uncertainty posed by unpredictable annual increases is concerning for our members.

Finally, the proposal is unclear on some important operational details. For example, the bill should make clear that the delivery fee does not apply to an order that *only* includes items that are exempt from the sales tax, but does apply to an order that contains any taxable items.

TechNet seeks to encourage, enable, and advance American leadership in innovation, and is vigilant against vague, overbroad, unnecessary, harmful, or hostile laws and regulations that slow down innovation. We promote policies that encourage the development of entrepreneurship, mobile commerce, and the next wave of innovation in the new economy. Establishing an innovation-friendly policy framework is the key to the competitiveness of the technology industry. For the above stated reasons, TechNet is opposed to HB 352.

Sincerely,

*Margaret Durkin*

Margaret Durkin  
TechNet Executive Director, Pennsylvania & the Mid-Atlantic

**SB321 MWA + BAM Letter of Opposition 022525.pdf**

Uploaded by: Matthew Bohle

Position: UNF



TO: Senate Budget and Tax Committee  
House Appropriations Committee  
House Ways and Means Committee

FROM: Maryland Wineries Association & Brewers Association of Maryland

RE: SB 321/HB 352 – **Opposition** to Lowering the Estate Tax Exemption from \$5,000,000 to \$2,000,000

DATE: February 27, 2025

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Good afternoon,

We appreciate the opportunity to brief the Committees on this important issue for Maryland Agriculture. We oppose lowering the exemption threshold for the estate tax from \$5,000,000 to \$2,000,000 as this will have a significant and negative impact on our family farms; farm-based breweries and wineries risk this farmland being sold off to private developers and taken out of conservation, limiting fresh products, produce and value-added goods for all Marylanders.

Our industry has always faced significant challenges: a single significant rain event can wreak havoc on our year's crop when near harvest, Spotted Lanternflies have been increasingly devouring our fruits, and of course the negative effects of COVID, inflation and the recent global decrease in alcohol consumption have increased the strain on our family farms.

This decreased exemption is the latest challenge for our industry. Our assets are not liquid. Our core assets are our ingenuity, our customer loyalty and our land. Our land is what locks in great value, and we want to keep that value within our families and out of development. Keeping this land as farms and not subdivisions have positive effects for all Marylanders – open space that the public can utilize and keeps a wide variety of fruits, products and other crops local for Marylanders. Our goal is to keep farming and pass the land down to our children and grandchildren for them to carry on the work. Keeping this land open and preserved is vital to the State's interests and we ask that you not add to our increasing list of burdens by decreasing the estate tax exemption which will make it more challenging for us to hold onto these lands over the generations.

Sincerely,

*Janna Howley, Executive Director*  
Maryland Wineries Association

*Kelly Dudeck, Executive Director*  
Brewers Association of Maryland

For more information, Matt Bohle, Brad Rifkin at 410-269-5066 or Janna Howley at 301-873-3182

# **2025-02-25 Maryland HOUSE DNC Increase Testimony .**

Uploaded by: Michele Blackwell

Position: UNF

Appropriations Committee  
Ways and Means Committee  
Chairs Ben Barnes and Vanessa Atterbeary  
Thursday, February 27, 2025

*Written Testimony for Uber Technologies, Inc. on  
The Budget Reconciliation and Financing Act of 2025 - Title 18.8 Retail Delivery Fee*

In recent years, consumers have grappled with historically high inflation. In fact, we know that inflation played a significant role in the 2024 election. The increase in costs have impacted families all across the country, including in Maryland. While some costs have started to decline, a recent report shows that inflation numbers have not slowed at anticipated rates. Because of this, it is important to consider the impact new fees will have on consumers as they go about their everyday lives.

As written, Title 18.8 in the Budget Reconciliation and Financing Act of 2025, would place a 75-cent fee on every retail delivery made in the state. Whether the delivery of groceries or a vital prescription or even a meal from a local restaurant, Marylanders will have to pay more for necessities. In fact, if this retail delivery fee were to pass, Marylanders would pay the highest state-mandated delivery fee in the region and possibly the country. And, as consumers grapple with inflation, this fee is set to increase with the CPI, meaning that as people pay more for essentials, they will also pay more to have those essentials delivered.

Currently, only two other states in the country have implemented a retail delivery fee—Colorado and Minnesota. Those states have significantly cheaper fees at 29-cents and 50-cents, respectively. Additionally, Minnesota provides an exemption for essential items like prescriptions and baby products and only applies to deliveries of tangible personal property over \$100. But even with lower fees and exemptions, there have been efforts in both states to repeal the fees; and proponents and opponents alike acknowledge the concerns they've heard from their constituents. Of the fee, Colorado Representative Dan Woog stated “[p]eople feel it. They're having trouble paying their bills...So I do believe many, many residents in Colorado feel this, or at least see that there are so many different fees that are nickeling and diming us to death.”

Uber understands that the goal of the bill is to help fund much-needed transportation projects; nonetheless, Uber opposes this provision in the budget because this fee has the potential to substantially increase the costs of delivery for consumers in Maryland—particularly for those who live in food deserts and rely heavily on food and grocery delivery. A final important consideration for the Committee is the adverse impact increased fees can have on those who use the Uber platform to earn income. If consumers choose to reduce how often they have items delivered, that could lead to delivery couriers seeing a reduction in demand, as well as a corresponding

reduction in their earnings. For these aforementioned reasons, Uber opposes Title 18.8 in the Budget Reconciliation and Financing Act of 2025 and asks the Committee to reject this proposal.

**CTIA Testimony MD HB 352 APP & W&M 2025-2-27.pdf**

Uploaded by: Rob Garagiola

Position: UNF



February 27, 2025

The Honorable Ben Barnes  
Chair, House Appropriations Committee  
121 Taylor House Office Building  
Annapolis, Maryland 21401

Dear Chair Barnes and Members of the House Appropriations Committee:

On behalf of CTIA, the trade association for the wireless communications industry, I write to respectfully oppose the Mandatory Unitary Combined Reporting (MUCR) in the Governor's BRFA Proposal (HB352).

**Mandatory Unitary Combined Reporting**

Proponents of combined reporting suggest that it would improve the fairness of the corporate income tax by closing "loopholes." They further argue that MUCR would more accurately determine multistate business income attributable to economic activity in Maryland. This concept ignores the fact that Maryland already has the tools needed to prevent or remediate abuse by corporate taxpayers through the addback statute, Md. Tax-General Code Ann. § 10-306.1. This provision requires taxpayers to add back certain intercompany costs (e.g., intangible expense) that would otherwise be deductible for federal income tax purposes. This policy is meant to provide the Comptroller with the tools necessary to limit taxpayers from reducing their state income tax liability by deducting intangible expenses paid to out-of-state related parties. As such, any projected new revenue from combined reporting needs to be carefully reviewed because it may not result in much new revenue.

**MUCR can increase revenue volatility and may not generate additional revenue:**

Combined reporting will result in some companies paying more Maryland tax and some paying less, BUT the overall revenue impact on Maryland is not only unpredictable but could even result in a revenue loss. Thus, trying to fund some of Maryland's budget shortfall with a tax provision that results in volatile revenues, and possibly a revenue loss, is not prudent.

The revenue is unpredictable for several reasons, including the fact that it will depend upon the complex economic relationships among the corporations included in a unitary group, the apportionment of income methodology selected by the state, and the impact of the economy on each company.

Two prior Maryland commissions concluded that combined reporting is bad policy that generates unpredictable revenues.



- In 2010, the Maryland Business Tax Reform Commission recommended against implementing combined reporting because it “would lead to increased volatility in the corporate income tax.”
- In January 2016, after requiring the actual filing of pro forma tax returns, the Maryland Economic Development and Business Climate Commission similarly recommended not to enact combined reporting highlighting the revenue volatility and winners and losers among corporate taxpayers, the potential for litigation, the additional administrative costs for both taxpayers and the State, and the uncertainty and negative message sent to the business community.
- In 2021, Virginia looked at combined reporting by also requiring the actual filing of pro forma tax returns and came to a similar conclusion. The Virginia Combined Reporting Work Group cited the “potential damage to Virginia’s business climate” with such a policy.

Ultimately, neighboring Virginia has not pursued a combined reporting tax policy, and neither should Maryland.

#### **Administrative Concerns/Amendments Needed**

If the Committee decides to move forward with this legislation, CTIA members have shared with the Committee several amendments that would ensure that the transition to MUCR is implemented in a way that treats businesses fairly, is not administratively burdensome, and is consistent with federal income tax reporting requirements. The proposed amendments would ensure that any transition to MUCR would not create disputes between taxpayers and the Comptroller’s office.

Switching to MUCR would create significant administrative and compliance burdens for taxpayers and the Comptroller alike. First, there is little agreement among the states as to what specifically constitutes a unitary group as the concept of a “unitary business” is uniquely factual. It is suggested that an amendment be included to allow taxpayers to make an election to use their federal consolidated group, which will ease administration and reduce the potential for controversy.

In addition, amendments are needed to address how to bring in net operating losses (NOLs) for the unitary businesses brought into the Maryland filing. It is imperative to have a well-defined process to reduce litigation and controversy.

Another issue not addressed in this bill is how the assets being brought into the Maryland return should be valued for depreciation purposes. An amendment is needed to provide clear guidelines to allow each member of the combined group to determine its income at the time of combination by considering the Maryland adjusted basis of each asset held by such member. The provisions should specify the treatment of assets when a corporation that was not previously a Maryland taxpayer enters or is first included in a combined group. Maryland should allow a corporation that was previously not a Maryland taxpayer and part of the unitary group to default to the federal tax basis but could elect to compute a Maryland adjusted tax basis. For worldwide unitary group members (foreign



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Finally, and most concerning, is how MUCR will impact on the Financial Accounting Standards Board Statement 109 (ASC 740). This is a quarterly financial statement that is required for publicly traded companies to reflect increased tax liabilities. Publicly traded companies book assets for financial reporting purposes under Generally Accepted Accounting Principles (GAAP) rules. However, Internal Revenue Service rules for recording and depreciating the same assets are different. Under ASC 740, a change to MUCR is a significant tax law change that will require companies to analyze the differences between the financial book basis of assets they own versus the income tax basis of those same assets. The cumulative effect of those differences will likely require most companies to record an additional deferred tax liability expense and thus reflect reduced earnings under GAAP.

One of the most significant differences recognized by many companies occurs as a result of accelerated tax depreciation taken on depreciable assets under I.R.S. rules versus the amount that is deducted for financial book purposes. Since depreciable assets create one of the largest differences required to be accounted for under ASC 740, it is likely that this requirement to reflect the additional expense resulting from the state's proposed changes would hit capital intensive companies much harder than other companies.

The ASC 740 ramifications of the move to combined reporting should be addressed to avoid companies with significant investments in Maryland being negatively impacted twice by combined reporting changes. Not only could these companies experience an increase in their income tax liability because of these major changes, but they will also have the added financial strain of recognizing additional tax expense for financial reporting purposes.

### **Conclusion**

MUCR is extremely complicated for corporations and the State and may not result in additional revenue, especially given Maryland's current addback statute. Coupled with the corporate tax surcharge, Maryland will become exceptionally unattractive to businesses and an outlier when compared to states like Delaware, Pennsylvania and Virginia, who have substantially lower corporate tax rates and do not impose MUCR.

If legislators agree to impose MUCR, we suggest working with the business community, particularly those who operate in multiple states and have experience dealing with combined reporting. CTIA members have drafted amendments and would be happy to share them with the Committee.

Thank you for the opportunity to share our concerns about the MUCR provision in HB352.

Sincerely,

*Annissa Reed*

Annissa Reed  
Director  
State and Local Affairs



February 27, 2025

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131 Taylor House Office Building  
Annapolis, Maryland 21401

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Ultimately, neighboring Virginia has not pursued a combined reporting tax policy, and neither should Maryland.

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Director  
State and Local Affairs

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Uploaded by: Rob Garagiola

Position: UNF



February 27, 2025

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Sincerely,

*Annissa Reed*

Annissa Reed  
Director  
State and Local Affairs

# **CTIA Testimony MD HB352 Ways and Means Committee.p**

Uploaded by: Rob Garagiola

Position: UNF



February 27, 2025

The Honorable Vanessa Atterbeary  
Chair, House Ways and Means Committee  
131 Taylor House Office Building  
Annapolis, Maryland 21401

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Sincerely,

*Annissa Reed*

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Director

State and Local Affairs

# **Tax Increases for 2026.docx.pdf**

Uploaded by: ronald deacon

Position: UNF

I am a Maryland resident. I file a joint return with my wife. We are both retired and our joint income is just under \$200,000. I have been in shock since I heard that I may not be able to itemize deductions on my state income tax form in 2026. I went back and looked. It will mean I will pay about \$1,500 more in taxes, about 20% more. That is astonishing especially since the governor has claimed, and newspapers have reported, that 82% of Maryland taxpayers will get a tax cut or no change at all. According to the Governor, only high income earners will pay more and they should be willing to do that in this difficult time.

Two things bother me about this. I want to make you aware if you are not already. The first is that I will be stretched to pay so much more in taxes. Just think about the effect this will have on me and others in my income bracket. The second is that we are being lied to. We have been told the middle class are being spared from a tax increase. I suppose this is being done so there will not be a huge back lash from voters. I believe there was a conscious effort to stress that tax rates will not change for moderate income earners, only for the wealthy. The standard deduction, now very low, will be doubled. Of course that misleads residents until they learn that there are other devious ways to increase taxes. For years, we have been able to itemize deductions. Why is this being eliminated other than to obtain increased taxes? It is not simplification since the value is simply copied from the federal tax form.

I ask that members of this committee ask the governor's financial experts at this hearing to state the impact of eliminating itemized deductions on residents in various income categories. I know this can be done by using past data. It probably was done to create the budget but no one bothered to make it available to the media. If the experts can do that, please highlight that this is not consistent with what has been stated so far about tax increases.

Finally, I ask that you reject the change being proposed to eliminate itemized deductions. This may mean that additional savings must be found and I am sure that can be done.

Thank you your consideration of my comments.

Ronald W. Deacon  
2833 White House Road  
Riva, MD 21140  
rondeacon@hotmail.com

**hb352.pdf**

Uploaded by: Ryan Savage

Position: UNF

Members of Maryland Legislature,

I am writing today to oppose the .75 cent delivery fee piece of HB352.

I believe this fee will put an undue hardship on a majority of working class Maryland residents. I am 1 of 3 county commissioners in Garrett County. I also happen to be a business owner and a paraplegic full time wheelchair user. I am hopeful that, just as the need for proper handicapped parking spaces is sometimes overlooked out of sheer ignorance to the true need, that this was just an oversight not realizing its true impact.

I will start with just myself as an example, but please realize if this were just me and I felt that this fee would actually benefit all Maryland residents I would likely just bite the bullet for the greater good. But I don't believe this fee to be beneficial. Again I am a disabled small business owner in one of the most rural locations in Maryland. In my personal life I am required to take supplements and order daily medical supplies that some aren't. My pharmacy is a half hour drive. I can't go right down the street and get what I need. In addition to this, I try to get my wife and two children to eat healthy, but we don't have a whole foods, we don't have a small healthy market, we have to order these things to be shipped in packages. While I realize a large portion in the center of our state may not face the same challenges, this would effect many, many residents, who like me are disabled, live in a rural area or simply can't afford the gas to make all the trips necessary. The elderly, the poverty stricken, the disabled, and the list can go on, would be the most effected by this. There is no argument against whom it effects the most. To leave this in the budget, costing more than any tax cut, completely negates any good intentions.

When I Order items from Amazon, ebay, or any online vendor I usually order multiple items at one time, but am completely powerless as to how or when they ship them. Sometimes its one box, sometimes its 4. On a daily basis because of my business and personal needs, I would say my household receives an average of 3-4 packages per day, which is not uncommon in this age of e-commerce. Some may be less, but ask yourself how many Amazon boxes are waiting for you when you return home everyday. At a minimum of 2 packages per weekday that would cost us roughly \$394.50 per year. Not just us but every other average family in Maryland. That is NOT nothing to us. That is NOT nothing to an elderly couple on social security, that is NOT nothing to a single mom or dad, that is NOT nothing for an average Maryland family.

In closing I am asking for me, for people like me, and for every average Maryland resident to remove this piece of HB352. Being a commissioner I know it can sometimes be about the bottom dollar, but in this case, for my constituents, for OUR constituents... its not. Its about what is right to make all of our lives better.

# **Maryland Delivery Fee Small Business Letter.pdf**

Uploaded by: Shanthi Ramakrishna

Position: UNF



*Stacie's Natural Touch, LLC*

**Lead Mares**

1treeyoga

**WANDERING-i**  
the mundane can often be extraordinary

**SMOKEHOUSE  
PIT BEEF**

Dear Governor Moore,

We, the undersigned Maryland small businesses, urge you to reconsider the 75-cent retail delivery fee proposed in the Budget Reconciliation and Financing Act of 2025. Our companies employ and provide services to Marylanders, and the proposed fees could badly impact our businesses.

As you know, the reality is this fee will be passed on to customers, raising the cost of the goods we sell online. No business can reasonably just absorb these fees. Making deliveries and e-commerce less affordable will harm the small business climate in Maryland, which we know is important to you.

Delivery options are important for many Marylanders whose mobility is limited - particularly senior citizens on fixed incomes and people who work two jobs or long hours. Seventy-five cents might seem insignificant, but it adds up quickly during months when snow and ice exacerbate transportation challenges.

We urge you not to move forward with the proposed fee, which will disproportionately impact small businesses and low-income Marylanders.

Respectfully,

Chaz Hubbard  
Owner/Operator  
[Sole Decor](#)  
Germantown, MD

Alan Burdette Jr.  
Owner  
[Aldino Stepney Farm](#)  
Aberdeen, MD

Perie Adkins  
Owner and CEO  
[Lotus Sensations LLC](#)  
Salisbury, MD

Jennifer Ingalls  
Owner and Founder  
[Little House Candles](#)  
Princess Anne, MD

Betsy Farrell  
Owner  
[Smokehouse Pit Beef](#)  
Middle River, MD

Becky Ashway  
Owner/Operator  
[Wandering-i, LLC](#)  
Baltimore, MD

David Pyle  
Owner/Operator  
[Pocantico Jersey Farm](#)  
Union Bridge, MD

Stacie Schatz  
Owner  
[Stacie's Natural Touch, LLC](#)  
Pasadena, MD

Teresa Crofoot  
Owner-Operator  
[1TreeYoga](#)  
Owings, MD

Dawn Edwards  
Yurkiewicz  
Owner  
[Lead Mares LLC](#)  
Havre De Grace, MD

Monzurul Islam  
CEO  
[Howard International Market](#)  
Columbia, MD

Lakia T. Carter  
Owner and CEO  
[Dont Shoot Movement D.S.M](#)  
Baltimore, MD

# **HB352\_SUPPORT\_Baltimore County.pdf**

Uploaded by: Amanda Kontz Carr

Position: INFO



**BILL NO.:**           **HB 352**

**TITLE:**             **The Budget Reconciliation and Financing Act**

**COMMITTEE:**    **APPROPRIATIONS**

**POSITION:**       **LETTER OF INFORMATION**

**DATE:**            **February 27, 2025**

Chair Barnes and Esteemed Members of the Appropriations Committee:

The Budget Reconciliation and Financing Act (HB 352 BRFA) imposes \$19M of new costs to Baltimore County in order for the Governor to introduce a balanced budget.

The proposal to shift costs onto counties places the state-level fiscal challenges onto local jurisdictions, reneges on promises made, and increases the likelihood of additional cuts to necessary services. As proposed, Baltimore County's share of teacher pension cost-shifts total over \$9.5M.

We now understand the General Assembly is also considering doubling this amount to fully and permanently relieve the State of their responsibility.

Baltimore County has been planning its FY26 budget predicated on the BRFA as introduced. Further transfer of teacher retirement costs to County Government will directly impact our ability to exceed the Maintenance of Effort for Boards of Education mandated by state law.

This impact undermines the foundation upon which the Blueprint for Maryland's Future was built. This impact is the same, dollar for dollar, as if this legislature reduced state funding for the Blueprint.

Baltimore County will exceed its calculated maintenance of effort if the transfer in teacher retirement costs remains the same as proposed in the introduced BRFA. We urge you not to adopt the Department of Legislative Service's proposed increased transfers in additional teacher retirement costs.

**HB0352 - MBA - INF - GR25.pdf**

Uploaded by: Evan Richards

Position: INFO



**HB 352 - Budget Reconciliation and Financing Act of 2025**

**Committee:** House Appropriations & Ways and Means Committees

**Date:** February 27, 2025

**Position:** Letter of Information

The Maryland Bankers Association (MBA) appreciates the opportunity to provide informational testimony on HB 352, which contains a significant restructuring of Maryland's tax code to help Maryland close a \$3+ billion deficit in FY 2026 and provide additional revenue in future fiscal years. MBA is hopeful that the Committee will adopt amendments that simplify the process for banks operating in Maryland to comply with the combined reporting provisions of the legislation.

As drafted, HB 352 contains significant changes to Maryland's tax code. HB 352 contains changes to personal and corporate income tax rates. It also eliminates itemized deductions, increases the standard deduction, implements a temporary surtax on capital gains, eliminates the inheritance tax, and lowers the estate tax's exclusion amount. While MBA has no formal position on these changes, it is important to note that Maryland banks work tirelessly to help their customers meet their financial goals, and an increased tax liability may hamper their ability to do so.

HB 352 also requires Maryland corporations to implement "combined reporting," which requires the filing of a tax return to include all related entities in a consolidated group, including those that operate outside of Maryland. While estimated to increase revenue to the State, corporate revenues are known to fluctuate greatly with the implementation of combined reporting and may not be a stable source of revenue. MBA suggests that technical and clarifying changes to the combined reporting provisions be adopted so that banks operating in Maryland can accurately report income to the State. MBA looks forward to working with members of the House Ways and Means Committee on potential amendments to HB 352.

*The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding more than \$194 billion in deposits in almost 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.*

## **Testimony**

Uploaded by: Marco Avila

Position: INFO



February 21, 2025,

RE: **Delivery Tax - MD bills HB 352 and SB 321**

To Members of the Maryland Legislature,

Thank you for the opportunity to express our concerns with the retail delivery tax that the legislature is currently considering and the impact it could have on businesses throughout Maryland — including those that we represent.

Our mission is to promote the establishment, growth, prosperity, and retention of Hispanic businesses, and those entities and persons that support them in the state of Maryland. We are proud that more than 100,000 Hispanic businesses now call Maryland home.

Many of these businesses that we represent come from our state's vibrant restaurant industry, often local mom-and-pop shops that have become a beloved part of their community. Whether these restaurants are decades-old favorites or new up-and-comers, delivery services are playing an important role in their operations. Delivery is helping these businesses grow their reach and opening up new opportunities for these Hispanic restaurants to connect with new audiences to share a taste of home.

However, we feel that this delivery fee could end up hurting the local restaurants that we represent. The restaurant industry is known for low margins where every dollar counts. We know that even a slight increase in prices — like with any new tax — could turn Marylanders off from ordering. If people choose not to order from these Maryland restaurants because of this new tax, it could cut off crucial revenue for the local restaurants that we represent.

Businesses also depend on certainty when navigating through difficult economic times. While some larger businesses can more easily take on the changes that come with a new tax, these kinds of delivery taxes can also be difficult for small businesses to administer and can require costly software upgrades.

We have proudly represented Hispanic restaurants as part of our membership over the past four decades, and worked closely with policymakers to make sure their voices are heard. If we impose these kinds of new taxes, we put all of this at risk for the Hispanic businesses that make Maryland special.

Sincerely,

A handwritten signature in blue ink that reads "Marco V. Ávila, P.E." with a blue underline.

**Marco V. Ávila, P.E.**

resident/CEO & Chairman of the Board  
Maryland Hispanic Chamber of Commerce  
Marco.Avila@mdhcc.org

**HB 352 \_ MACPA Written Testimony \_ INFORMATIONAL f**

Uploaded by: MB Halpern

Position: INFO



**HB 352 Budget Reconciliation and Financing Act of 2025**  
**House Ways & Means Committee**  
**House Appropriations Committee**  
**February 27, 2025**  
**Legislative Position: INFORMATIONAL**

The Maryland Association of CPAs proudly represents 9,000 Certified Public Accountants and accounting professionals across the state who serve in public practice, private industry, government, non-profit organizations, and education. In evaluating proposed changes to tax law, we rely on the widely recognized "[Guiding Principles of Good Tax Policy](#)" to ensure that tax policies are equitable, effective, and aligned with the public interest.

We respectfully offer the following high-level overview of our observations and concerns regarding proposed tax changes in the BRFA. More detailed analysis is provided below.

**Personal Income Tax Rates, Elimination of Itemized Deductions, and Reduction to the Estate Tax Exemption:**

- CPAs are already receiving comments and questions from clients about plans to move out of Maryland in response to the proposed tax changes. These clients include business owners, key decision-makers who contribute to the state's economic growth, and high-wealth individuals.
- The combination of proposed income tax rate changes, the elimination of itemized deductions, and the reduction of the estate tax exemption has heightened concerns and provided additional incentives for taxpayers to consider relocating.
- Outmigration resulting from increased tax burdens has historical precedent, as seen in Maryland following the 2007 tax increases.
- Results of individuals and businesses moving out of the state include not only the loss of income tax and sales tax revenues, but also negative impacts on charitable and civic contributions and involvement.

**Combined Reporting:**

- While the MACPA takes no policy position on the adoption or rejection of combined reporting, recognizing that some of our members' clients could benefit from reduced income tax while others may face higher tax liabilities and increased administrative costs, we emphasize the complexities involved. Should combined reporting be adopted, we respectfully request that the effective date be delayed by at least three years to allow adequate preparation.
- The complexities of combined reporting affect not only a corporation's tax compliance processes, such as determining the components of the "unitary group," but also have significant implications for financial reporting.
- Sufficient time will be required for the Comptroller's Office to reprogram systems, develop new forms, draft regulations, and provide guidance and education to taxpayers and tax professionals. Additionally, taxpayers will need time to understand the new methodology, make necessary legal determinations, and adjust their tax compliance systems accordingly.

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## Expanded Analysis

### Personal Income Tax Rates, Elimination of Itemized Deductions, and Reduction to the Estate Tax Exemption

As CPAs, we understand the need for revenues to fund essential public services and maintain fiscal stability. We also recognize that tax policy plays a critical role in promoting equity and addressing the state's fiscal needs. However, we believe it is equally important to consider the broader economic effects that changes in tax policy, such as those proposed in House Bill 352, may have on the state's long-term fiscal health.

We believe it is our duty to inform you that CPAs are *already* receiving comments and questions from clients about potential plans to move out of Maryland in response to the currently proposed tax changes. These clients include business owners and executives who serve as employers and key decision-makers who directly influence Maryland's economy. Their decisions, whether to remain and expand in Maryland or to relocate and direct growth elsewhere, can significantly impact the state's ability to address its fiscal challenges through economic growth, which in turn generates additional income and sales tax revenues.

The combination of increased tax rates, the reduction of the estate tax exemption, and changes to itemized deductions creates a threefold challenge that substantially affects both individual financial situations and, in many cases, their associated business entities. For some individuals and small businesses, this cumulative economic effect may serve as an incentive to consider relocating to states with more favorable tax climates.

It is important to note that when individuals leave the state, not only do the state and local treasuries suffer the loss of previously paid income taxes and sales taxes, but the community also loses the beneficial impacts of charitable contributions, volunteer time spent for charitable and civic organizations, and the like.

According to the Maryland Bureau of Revenue Estimates, about 60% of taxpayers would see a modest tax reduction averaging \$173. Conversely, 20% would experience an average tax increase of \$1,458, while the highest-income taxpayers could see an increase of \$20,800. These shifts raise important considerations about how such tax changes might influence taxpayer behavior, including the potential outmigration of high-income residents seeking more favorable tax environments.

Historical data suggests that tax increases have previously contributed to outmigration. Following the significant tax increase in 2007, more than 18,600 tax filers left the state, according to a [report](#) by the Maryland Public Policy Institute. While a variety of factors influence relocation decisions, this precedent highlights the potential risk of high-income taxpayers reconsidering their residency in response to higher taxes.

Additionally, higher-income families generally have greater flexibility and resources to relocate compared to lower- and middle-income households. This increased mobility enables them to adjust their residency more easily based on factors such as tax policies, cost of living, and economic opportunities, often prompting moves to states with more favorable financial conditions.

To [illustrate this potential impact](#), consider an example based on a dual-income couple in their late 50s, filing jointly, with no dependents and making \$1,000,000. Based on Maryland consumer spending data and typical tax contributions, this household generates substantial economic activity within the state through income taxes, property taxes, sales taxes, and local community spending. Under the proposed changes in HB352, their Maryland tax liability would increase by approximately \$20,800, making relocation to a lower-tax state a financially attractive option for some.

Further increasing state income taxes relative to other states in the region creates an economic incentive for relocation. High-income taxpayers are generally better positioned to afford relocation costs and are more likely to evaluate these costs in relation to potential tax savings. For example, if just 5% of taxpayers earning \$1,000,000 were to move out of the state, Maryland could lose approximately \$170,000,000 annually in spending on local goods and services.

The implications of this go beyond the loss of individual income tax revenue. Should these taxpayers choose to leave Maryland, the state could also lose indirect tax revenues generated from their spending on housing, dining, entertainment, and professional services. This potential outmigration might also lead to reduced demand in the local real estate market, decreased philanthropic contributions to community organizations, and diminished support for small businesses. In the long term, such patterns could impact Maryland's broader economic ecosystem, eroding the state's tax base and placing greater fiscal pressure on remaining residents.

Regarding the proposed elimination of itemized deductions in favor of an increased standard deduction, CPAs note that this change impacts not only high-wealth Marylanders but also many lower- and middle-income residents. For example, senior citizens with significant health care expenses may find that the increased standard deduction is insufficient to prevent a higher Maryland personal income tax burden.

Similarly, the proposed reduction to the estate tax exemption could disproportionately affect small business owners, including family farms. Many of these businesses have their value tied up in non-liquid assets, which could force heirs to sell parts or all of the business to cover the estate tax liability.

While the proposed tax changes aim to enhance equity and generate additional revenue to fund critical public services, it is essential to weigh these benefits against the potential long-term effects on Maryland's tax base and economic competitiveness. The outmigration of higher-income earners and business owners / decision makers could offset projected gains and shift more of the tax burden onto remaining residents, potentially affecting local businesses and community services.

### **Combined Reporting**

A shift to a combined reporting system would have a favorable impact on certain businesses while adversely affecting others, as evidenced by data gathered by the Office of the Comptroller. As CPAs, we serve businesses in both scenarios and, therefore, refrain from endorsing or opposing the incorporation of combined reporting into Maryland law. Our primary concern is to guarantee that any legislation pertaining to this matter provides ample time for preparation and implementation of the change. The language used must be both enforceable and unambiguous to enable our members to accurately calculate taxes for their clients.

Combined reporting introduces added complexities to corporate income tax systems and taxpayer compliance, along with the challenging financial statement accounting tasks that CPAs undertake to aid their clients (such as re-evaluating balance sheet deferred tax accounts). This holds true even for companies experiencing no immediate cash impact from the transition, such as those with losses that won't incur tax liability under combined reporting. Some states have incorporated provisions in their legislation aimed at mitigating this complexity.

In addition to interpreting the legislation, substantial advanced preparation is essential for the Comptroller's Office, taxpayers, and tax preparers. The Comptroller's Office needs to draft regulations, facilitate the mandated public comment period, and ultimately finalize the regulations.

Anticipating a more intricate audits and appeals process, extensive training is essential for state auditors and taxpayer-assistance staff. Administrative protocols, forms, instructions, and computer programming changes must be implemented to accommodate the new filing method. While other states may serve as models, these processes must be tailored specifically to Maryland.

Taxpayers and tax practitioners must undergo an educational process regarding the new statute, regulations, and updated forms. Many will need to modify or acquire new tax preparation software. Understanding the intricate operations of each corporation becomes crucial for making fact-driven and interpretive determinations about the proper inclusion of corporations in a "unitary" combined reporting group. Additionally, they will need to gather data that was not previously required for the accurate preparation of income tax returns.

Organizations such as the MACPA will play a vital role in disseminating information about the new requirement. We will need to provide educational programs to CPAs and their clients to help prepare for these new processes.

Maryland and many nearby states have always been separate-entity states, making combined reporting a novel concept for numerous Maryland taxpayers and tax practitioners. The implications of combined reporting extend to corporate groups of all sizes, with small and medium-sized corporations, prevalent in Maryland, likely facing the most onerous challenges posed by the new administrative requirements. Providing ample time for education would facilitate a smoother transition to the new law.

The adoption of combined reporting represents a complex shift for taxpayers, tax preparers, and the Comptroller's Office. Without expressing support or opposition to this change, we respectfully urge you to consider the intricate compliance requirements and include the essential preparation time — e.g., an effective date that is three years out.

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We hope this information helps inform the ongoing discussions around HB352. The MACPA remains committed to supporting data-driven policymaking and welcomes the opportunity to collaborate further to ensure Maryland's tax policies promote both fiscal responsibility and sustainable economic growth.

Thank you for your attention to these considerations. For more information about this position, please contact Mary Beth Halpern [marybeth@macpa.org](mailto:marybeth@macpa.org) or Nick Manis [nmanis@maniscanning.com](mailto:nmanis@maniscanning.com).